
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 1-14696

China Mobile Limited

(Exact Name of Registrant as Specified in Its Charter)

N/A

(Translation of Registrant's Name into English)

Hong Kong, China

(Jurisdiction of Incorporation or Organization)

60th Floor, The Center
99 Queen's Road Central
Hong Kong, China
(Address of Principal Executive Offices)

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Company Secretary
China Mobile Limited
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(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class
Ordinary shares

Name of Each Exchange on Which Registered
New York Stock Exchange*

* Not for trading, but only in connection with the listing on the New York Stock Exchange of American depositary shares representing the ordinary shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2015, 20,475,482,897 ordinary shares were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or (15)(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP ☐

International Financial Reporting Standards as issued
by the International Accounting Standards Board ☒

Other ☐

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

TABLE OF CONTENTS

China Mobile Limited

	<u>Page</u>
<u>Forward-Looking Statements</u>	1
<u>PART I</u>	
Item 1. <u>Identity of Directors, Senior Management and Advisers</u>	2
Item 2. <u>Offer Statistics and Expected Timetable</u>	2
Item 3. <u>Key Information</u>	2
Item 4. <u>Information on the Company</u>	19
Item 4A. <u>Unresolved Staff Comments</u>	37
Item 5. <u>Operating and Financial Review and Prospects</u>	38
Item 6. <u>Directors, Senior Management and Employees</u>	52
Item 7. <u>Major Shareholders and Related Party Transactions</u>	56
Item 8. <u>Financial Information</u>	60
Item 9. <u>The Offer and Listing</u>	60
Item 10. <u>Additional Information</u>	61
Item 11. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	69
Item 12. <u>Description of Securities Other than Equity Securities</u>	70
<u>PART II</u>	
Item 13. <u>Defaults, Dividend Arrearages and Delinquencies</u>	72
Item 14. <u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	72
Item 15. <u>Controls and Procedures</u>	72
Item 16A. <u>Audit Committee Financial Expert</u>	73
Item 16B. <u>Code of Ethics</u>	73
Item 16C. <u>Principal Accountant Fees and Services</u>	73
Item 16D. <u>Exemptions from the Listing Standards for Audit Committees</u>	73
Item 16E. <u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	73
Item 16F. <u>Change in Registrant's Certifying Accountant</u>	73
Item 16G. <u>Corporate Governance</u>	73
Item 16H. <u>Mine Safety Disclosure</u>	74
<u>PART III</u>	
Item 17. <u>Financial Statements</u>	75
Item 18. <u>Financial Statements</u>	75
Item 19. <u>Exhibits</u>	75

Forward-Looking Statements

This annual report on Form 20-F contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business objectives and strategies, including those relating to the development of our terminal procurement and distribution business;
- our operations and prospects;
- our network expansion and capital expenditure plans;
- the expected impact of any acquisitions or other strategic transactions;
- our provision of services, including fourth generation, or 4G, services, wireline broadband services and services based on technological evolution, and our ability to attract customers to these services;
- the planned development of future generations of mobile technologies and other technologies and related applications;
- the anticipated evolution of the industry chain of 4G and future generations of mobile technologies, including future development in, and availability of, terminals that support our provision of services based on 4G and future generations of mobile technologies;
- the expected benefit from our investment in and any arrangements with China Tower Corporation Limited;
- the expected benefit from our acquisition and planned integration of certain assets, businesses and related liabilities and employees from China Tietong Telecommunications Corporation;
- the expected impact of the implementation in Mainland China of value-added tax, the policy of “speed upgrade and tariff reduction” on our business, financial condition and results of operations;
- the expected impact of tariff changes on our business, financial condition and results of operations;
- the expected impact of new service offerings on our business, financial condition and results of operations; and
- future developments in the telecommunications industry in Mainland China, including changes in the regulatory and competitive landscape.

The words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “seek”, “should”, “target”, “will” and similar expressions, as they relate to us, are intended to identify certain of these forward-looking statements. We do not intend to update these forward-looking statements and are under no obligation to do so.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including the risk factors set forth in “Item 3. Key Information — Risk Factors”.

PART I

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

Selected Financial Data

The following tables present selected historical financial data of our company as of and for each of the years in the five-year period ended December 31, 2015. Except for amounts presented in U.S. dollars and per American depositary share, or ADS, data, the selected historical consolidated statement of comprehensive income data and other financial data for the years ended December 31, 2013, 2014 and 2015 and the selected historical consolidated balance sheet data as of December 31, 2014 and 2015 set forth below are derived from, should be read in conjunction with, and are qualified in their entirety by reference to, our audited consolidated financial statements, including the related notes, included elsewhere in this annual report on Form 20-F. The selected historical consolidated statement of comprehensive income data for the years ended December 31, 2011 and 2012 and the selected historical consolidated balance sheet data as of December 31, 2011, 2012 and 2013 set forth below are derived from our internal records and management accounts that are not included in this annual report on Form 20-F. Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRSs, as issued by the International Accounting Standards Board, or IASB.

In November 2015, China Mobile TieTong Company Limited, or CM TieTong, our wholly-owned subsidiary, acquired certain telecommunications assets, businesses and related liabilities and employees in relation to the fixed-line telecommunications operations, or Target Assets and Businesses, of China Tietong Telecommunications Corporation, or China TieTong, for a final consideration of RMB31,967 million (approximately US\$4,934.9 million). The acquisition was completed in December 2015. See “Item 4. Information on the Company—Business Overview—Acquisition from China TieTong of certain Assets, Businesses and Related Liabilities and Employees.” The aforementioned acquisition was considered as a business combination under common control as CM TieTong and China TieTong are both ultimately controlled by our parent company, China Mobile Communications Corporation, or CMCC. Under IFRSs, such acquisition was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Accordingly, the acquired Target Assets and Businesses are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if Target Assets and Businesses had always been part of the Group. As a result, the Group has restated the 2011, 2012, 2013 and 2014 comparative amounts of the consolidated statements of comprehensive income by including the operating results of Target Assets and Businesses and eliminating its transactions with Target Assets and Businesses, as if the acquisition had been completed on the earliest date of the periods being presented, i.e., January 1, 2011. The consolidated balance sheets of the Group as at December 31, 2011, 2012, 2013 and 2014 was restated to include the assets and liabilities of Target Assets and Businesses. See Note 2(b) to our consolidated financial statements.

The statistical information set forth in this annual report on Form 20-F relating to Mainland China is taken or derived from various publicly available government publications that were not prepared or independently verified by us. This statistical information may not be consistent with other statistical information from other sources within or outside Mainland China.

	As of or for the year ended December 31,					
	2011	2012	2013	2014	2015	2015
	(As restated) ⁽¹⁾	(As restated) ⁽¹⁾	(As restated) ⁽¹⁾	(As restated) ⁽¹⁾		
	RMB	RMB	RMB	RMB		
(in millions, except share, per share and per ADS information)						
Consolidated Statement of Comprehensive Income Data:						
Operating revenue ⁽²⁾	547,286	591,006	640,048	651,509	668,335	103,173
Operating expenses ⁽²⁾⁽³⁾	396,541	440,317	508,624	534,189	565,413	87,285
Profit from operations	150,745	150,689	131,424	117,320	102,922	15,888
Profit before taxation	162,864	168,793	153,649	142,522	143,734	22,189
Taxation	(40,593)	(41,887)	(36,746)	(33,179)	(35,079)	(5,415)
Profit for the year attributable to equity shareholders	122,162	126,799	116,791	109,218	108,539	16,756
Basic earnings per share ⁽⁴⁾	6.09	6.31	5.81	5.38	5.30	0.82
Diluted earnings per share ⁽⁴⁾	6.01	6.23	5.74	5.35	5.30	0.82
Basic earnings per ADS ⁽⁴⁾	30.44	31.56	29.05	26.91	26.51	4.09
Diluted earnings per ADS ⁽⁴⁾	30.07	31.17	28.71	26.76	26.50	4.09
Number of shares utilized in basic earnings per share calculation (in thousands)	20,068,194	20,090,824	20,101,232	20,293,254	20,473,119	20,473,119
Number of shares utilized in diluted earnings per share calculation (in thousands)	20,315,252	20,341,516	20,343,120	20,408,441	20,479,706	20,479,706

	2011 (As restated) ⁽¹⁾ RMB	2012 (As restated) ⁽¹⁾ RMB	2013 (As restated) ⁽¹⁾ RMB	2014 (As restated) ⁽¹⁾ RMB	2015 RMB	2015 US\$
(in millions, except share, per share and per ADS information)						
Consolidated Balance Sheet Data:						
Working capital ⁽⁵⁾	81,515	99,396	80,009	34,433	(12,341)	(1,905)
Cash and cash equivalents	89,938	75,764	51,180	73,812	79,842	12,325
Bank deposits	247,134	332,495	375,127	353,507	323,330	49,914
Accounts receivable	9,642	11,918	14,083	16,715	17,743	2,739
Property, plant and equipment	429,836	469,627	520,571	605,023	585,631	90,406
Total assets	991,935	1,110,478	1,222,684	1,348,035	1,427,895	220,429
Bonds—current portion ⁽⁶⁾	800	—	—	1,000	—	—
—non-current portion	5,984	5,986	5,989	4,992	4,995	771
Deferred consideration payable ⁽⁷⁾	23,633	23,633	—	—	—	—
Total liabilities	337,537	383,658	401,561	459,052	507,527	78,349
Share capital ⁽⁸⁾	2,140	2,142	2,142	400,737	402,130	62,078
Shareholders' equity	653,041	724,958	819,171	886,916	917,336	141,612
Other Financial Data:						
Capital expenditures and land lease prepayments ⁽⁹⁾	(134,353)	(144,362)	(149,121)	(175,701)	(173,693)	(26,814)
Net cash generated from operating activities	227,863	233,776	226,905	216,438	235,089	36,291
Net cash used in investing activities	(179,477)	(210,447)	(180,122)	(151,230)	(142,743)	(22,036)
Net cash used in financing activities	(54,642)	(37,514)	(71,312)	(42,530)	(86,510)	(13,355)
Dividend declared	54,298	55,821	52,675	47,170	46,145	7,124
Dividend declared per share (RMB)	2.730	2.773	2.621	2.311	2.205	0.340
Dividend declared per share (HK\$)	3.327	3.411	3.311	2.920	2.721	0.340

- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2011, 2012, 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses which was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.
- (2) Prior to 2013, the sales of products were incidental to our telecommunications services. In 2013, 2014 and 2015, our sales of products have become more than incidental as a result of our business development, and accordingly we present the revenue from sales of products and related cost of products sold separately with the comparative figures also being presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.
- (3) In accordance with requirements of reducing the proportion of labor sourced by third parties that provide services to the Group (“outsourcing labor”) among total labor under “Amendment to Labor Contract Law of the PRC” and its associated rules and regulations, we have made adjustment on the structure of employees and outsourcing labor. Such adjustment leads to the increase in number of employees and the decrease in number of outsourcing labor in 2015. In order to reasonably reflect the composition and fluctuation of employee benefit and related expenses, we present employee benefit and related expenses by combining personnel expenses and labor service expenses, the latter of which was presented under other operating expenses prior to 2015. The comparative figures have been presented on the same basis. Such change in presentation had no impact on reported profit or net assets for any of the years presented.
- (4) The basic earnings per share have been computed by dividing profit attributable to our equity shareholders by the weighted average number of shares outstanding in 2011, 2012, 2013, 2014 and 2015. The diluted earnings per share have been computed after adjusting for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares resulting from the share options granted to our directors and employees under the share option scheme would decrease profit attributable to equity shareholders per share. The basic and diluted earnings per ADS amounts have been computed based on one ADS representing five ordinary shares.
- (5) Represents current assets minus current liabilities.
- (6) The current portion of the bonds as at December 31, 2011 was issued by China TieTong on November 8, 2007, with a principal amount of RMB800 million, at an issue price equal to the face value of the bonds. The bond was unsecured and bore interest at rate of 5.3% per annum which is payable annually. The bond was fully repaid on November 8, 2012. The current portion of the bonds as of December 31, 2014 was issued by China TieTong on August 18, 2005, with a principal amount of RMB1,000 million, at an issue price equal to the face value of the bonds. The bond was unsecured and bore interest at rate of 4.6% per annum which is payable annually. The bond was fully repaid on August 18, 2015.

- (7) Represents the respective balance of the purchase consideration payable to our immediate holding company for our acquisition of the eight regional mobile telecommunications companies in 2002 and for our acquisition of the ten regional mobile telecommunications companies and other telecommunications assets in 2004. The deferred consideration was fully repaid by December 31, 2013.
- (8) Under the new Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong), or the Companies Ordinance, which has been in effect since March 3, 2014, the concept of authorized share capital no longer exists and our shares no longer have a par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of any of our shareholders as a result of this transition. In addition, in accordance with the transitional provisions set forth in Section 37 of Schedule 11 to the Companies Ordinance, any amount standing to the credit of the share premium account has become part of our share capital.
- (9) Represents payments made for capital expenditures and land lease prepayments during the year and included in net cash used in investing activities.

Exchange Rate Information

We publish our consolidated financial statements in Renminbi. Solely for the convenience of the reader, this annual report on Form 20-F contains translations of certain Renminbi and Hong Kong dollar amounts into U.S. dollars and vice versa at RMB6.4778 = US\$1.00 and HK\$7.7507 = US\$1.00, the noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2015. The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York are published on a weekly basis in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States. These translations should not be construed as representations that the Renminbi or Hong Kong dollar amounts could actually be converted into U.S. dollars at such rates or at all.

The noon buying rates in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York were RMB6.4571 = US\$1.00 and HK\$7.7551 = US\$1.00, respectively, on April 19, 2016. The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars for each month during the previous six months:

Noon Buying Rate

<u>RMB per US\$1.00</u>			<u>HK\$ per US\$1.00</u>		
	<u>High</u>	<u>Low</u>		<u>High</u>	<u>Low</u>
October 2015	6.3591	6.3180	October 2015	7.7503	7.7495
November 2015	6.3945	6.3180	November 2015	7.7526	7.7498
December 2015	6.4896	6.3883	December 2015	7.7527	7.7496
January 2016	6.5932	6.5219	January 2016	7.8270	7.7505
February 2016	6.5795	6.5154	February 2016	7.7969	7.7700
March 2016	6.5500	6.4480	March 2016	7.7745	7.7528
April 2016 (up to April 19, 2016)	6.4810	6.4571	April 2016 (up to April 19, 2016)	7.7569	7.7537

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars and between Hong Kong dollars and U.S. dollars in 2011, 2012, 2013, 2014 and 2015 calculated by averaging the noon buying rates on the last day of each month during the relevant year.

Average Noon Buying Rate

	<u>RMB per US\$1.00</u>	<u>HK\$ per US\$1.00</u>
2011	6.4475	7.7793
2012	6.2990	7.7556
2013	6.1412	7.7565
2014	6.1704	7.7554
2015	6.2869	7.7519

Risk Factors

The following factors, and those factors described in our other reports submitted to, or filed with, the SEC, among other factors, could affect our actual results and could cause our actual results to differ materially from those expressed in any forward-looking statements made by us or on our behalf, and such factors may have a material adverse effect on our business, financial condition, results of operations and prospects as well as the value of our ordinary shares and ADSs.

Risks Relating to Our Business

We may not be able to maintain the same level of growth as we have experienced over the past decade, which could have a material adverse effect on our financial condition and results of operations as well as our profitability.

We have experienced significant growth over the past decade, measured by the increase in both our customer base and our revenue. However, in recent years, we have experienced a lower rate of growth as measured by our revenue, and in 2013, 2014 and 2015, we experienced a decrease in profit from operations and net profit compared to the previous years. We cannot assure you that we will be able to achieve a high level of growth in the future due in part to the increased market saturation and competition among mobile operators and from other related industries in Mainland China. In particular, according to data published by the Ministry of Industry and Information Technology, or the MIIT, mobile penetration rate in Mainland China reached 95.5% as of December 31, 2015. Moreover, measures adopted by the PRC government in 2013 that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers have changed the competitive landscape in the telecommunications industry in Mainland China and have resulted and will result in further intensified competition among existing industry participants as well as increasing competition from providers offering telecommunications services using alternative technologies, in particular Internet service providers. See “— Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations.” In addition, the implementation of value-added tax in Mainland China has had, and is expected to continue to have, a short-term negative impact on our operating revenue and profit compared to previous years. See “— Implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit.” Besides, the introduction of the new national policy of “speed upgrade and tariff reduction” in May 2015 also has had, and is expected to continue to have, a negative impact on our operating revenue and profit compared to the previous years. See “—Item 4. Information on the Company — Business Overview — Tariffs.” Furthermore, the adjustment of interconnection settlement standards has had, and is expected to continue to have, a negative impact on our revenue and profitability. See “— Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.”

All of the foregoing factors, among others, have contributed to a slowdown in the growth of our telecommunications services in Mainland China. Our costs for the provision of telecommunications services may also increase in order for us to maintain our growth. Our efforts to achieve growth could be hampered and our profitability may decrease if we are unable to compete effectively with other telecommunications services providers and Internet service providers in Mainland China. We cannot assure you that we will be successful in our efforts to achieve a high level of customer growth or to increase the utilization of our telecommunications services. If we are unable to sustain our growth, our financial condition and results of operations as well as our profitability may be materially and adversely affected.

Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations.

We continue to face increasing competition from other telecommunications services providers in Mainland China. Principal participants in the telecommunications industry in Mainland China include China United Network Communications Group Co., Ltd., or China Unicom, China Telecommunications Corporation, or China Telecom, and us. In January 2016, China Unicom and China Telecom entered into a strategic cooperation agreement to promote resource-sharing in several key aspects of business operations. Such cooperation as contemplated by our two major competitors, if materialized, may significantly change the competitive landscape of telecommunications industry in Mainland China. For further information, see “Item 4. Information on the Company — Business Overview — Competition.”

The PRC government has extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors. See “— Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.”

Further increased competition could reduce the rate at which we add new customers to our network and decrease our market share as customers choose to receive mobile services from other providers. Furthermore, we expect that we will face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD mode long-term evolution, or FDD-LTE, technology in 2015. See “— We may encounter difficulties and challenges in developing and implementing TD-LTE technologies and developing our 4G services.” As part of changes in our marketing model, we may, depending on the competitive environment, offer more tariff promotions to our customers, which may negatively impact our revenues. As a result of the above, we cannot assure you that we will not experience increases in churn rates as competition intensifies, which may materially reduce our profitability. Moreover, we cannot assure you that any potential change, and in particular, any further restructuring in the competitive landscape of the telecommunications industry in Mainland China, would not have a material adverse effect on our business, financial condition and results of operations.

Moreover, the PRC government has implemented a number of measures that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. The trial period ended on December 31, 2015. We may face intense competition from these new mobile network operators in light of such policy and decisions by the MIIT. In particular, increased competition may cause tariff rates to decline significantly, which may materially and adversely affect our business, financial condition and results of operations.

Our ability to compete effectively also will depend on how successfully we respond to various factors affecting the telecommunications industry in Mainland China, including changes in consumer preferences and demand for existing services. We cannot assure you that the measures we are taking in response to these competitive challenges will achieve the expected results.

Implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit.

Our business operations in China are currently subject to PRC value-added tax, or VAT. On November 16, 2011, the Ministry of Finance and the State Administration of Taxation issued a pilot tax program under which VAT instead of business tax will be levied on the provision of certain services that were previously subject to business tax in China. The telecommunications industry became subject to the pilot tax program effective from June 1, 2014. For telecommunications enterprises, our output VAT rate for the provision of basic telecommunications services (including voice communication, lease or sale of network resources) is 11%, while our output VAT rate for the provision of value-added telecommunications services (including Internet access services, short and multimedia messaging services, transmission and application service of electronic data and information) is 6%. Our output VAT for sales of telecommunications terminals and equipment is 17%. Our input VAT rate depends on the type of services received and the assets purchased as well as the VAT rate applicable to a specific industry, and ranges from 6% to 17%. For comparison, business tax applicable to us prior to June 1, 2014 was at 3% imposed on the revenue.

As the operating revenue is presented in our financial statements after excluding any output VAT in accordance with IFRS, the implementation of VAT has a negative impact on our revenue. Our input VAT, which is incurred as a result of our receipt of services and purchases of telecommunications equipment and materials, is excluded from operating expenses or the original cost of equipment purchased and can be netted against our output VAT, arriving at the net amount of VAT recoverable or payable. To the extent that the decrease in our operating revenue is larger than the decrease in our operating expenses due to the implementation of VAT in the PRC telecommunications industry, there is a negative impact on our net profit. Our operating revenue and net profit in 2014 and 2015 were adversely affected by the implementation of VAT. See “Item 5. Operating and Financial Review and Prospects — Results of Operations.” We expect that the implementation of VAT will continue to have a negative impact on our operating revenue and profit in the short term. Furthermore, the impact from the implementation of VAT, such as the degree to which the VAT input credits may offset VAT output tax obligation, may cause our reported financial information not necessarily indicative of our future operating results or financial condition. See “Item 4. Information on the Company — Business Overview — Regulation — VAT Reform Application to the Telecommunications Industry.”

Our financial condition and results of operations have been adversely affected by the reduction in tariffs as a result of PRC national policies, and may continue to be affected by further reduction in tariffs due to future policy developments in the telecommunications industry.

From time to time, we need to adjust our tariff plans in accordance with PRC national policies, and such adjustments may have a material negative impact on our revenue and profitability. In May 2015, the PRC government introduced the new national policy of “speed upgrade and tariff reduction”. Since May 2015, in response to the expectations of the general public and customers and in order to implement the said national policy, we, in addition to continue enhancing network capacity and increasing network speed, offered discounts to our tariff plans. In addition, in October 2015, we launched an unused data traffic carry-over program for our mobile monthly plans that are charged based on pre-determined data traffic, according to which customers could carry over their monthly plan’s remaining unused data traffic to the following month. Furthermore, in light of the national policy of achieving coordinated development of Beijing Municipality, Tianjin Municipality and Hebei Province issued by the PRC government, we cancelled the long-distance and roaming tariffs for voice services within the tariff zones of Beijing Municipality, Tianjin Municipality and Hebei Province in August 2015 so that our customers are only charged with local usage tariff for our voice services provided within the tariff zones. See “Item 4. Information on the Company — Business Overview — Tariffs.” Such measures have resulted in reduced tariffs of our data traffic services and voice services in 2015, which in turn had a negative impact on our revenue and profitability. We believe that any prospective reduction in tariffs could continue to have an adverse impact on our financial condition and results of operations. Furthermore, we cannot assure you that we would not be required to further reduce our tariffs or make other initiatives to further implement the national policy of “speed upgrade and tariff reduction” or other similar national policies, which may materially and adversely affect our financial condition and results of operations.

Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.

The PRC government has extended favorable regulatory policies to some of our competitors in order to help them become more viable competitors to us. For example, the MIIT has decided to make asymmetrical changes, effective January 1, 2014, to the public telecommunications network interconnection settlement standards of basic telecommunications operators in Mainland China. As a result of these changes, when mobile users of China Telecom and China Unicom and our mobile users in Mainland China (excluding TD-SCDMA users with certain specified prefix numbers) make calls to each other, the settlement charges payable by China Telecom and China Unicom to us were adjusted from RMB0.06/minute to RMB0.04/minute, while the settlement charges payable by us to China Telecom and China Unicom remained at RMB0.06/minute. The MIIT will assess the above interconnection settlement policy once every two years based on the development conditions of the telecommunications market and will make adjustments when appropriate. See “Item 4. Information on the Company — Business Overview — Interconnection.” In addition, the MIIT has expanded the mobile number portability policy that has been implemented in Tianjin Municipality and Hainan Province to Jiangxi Province, Hubei Province and Yunnan Province. The PRC government may continue to expand the implementation of the mobile number portability policy to other areas of Mainland China. The implementation and expansion of the mobile number portability policy may have a greater impact on us, as a leading operator, than on our competitors.

The PRC government has adopted other regulatory measures that may encourage competition in the telecommunications industry. For example, the PRC government recently implemented a number of measures that permit certain operators approved by the MIIT to lease and repack mobile services for sale to end customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. In recent years, the PRC governmental authorities have taken more stringent measures to enforce the PRC Anti-Monopoly Law, such as the anti-monopoly investigation in 2012 undertaken by NDRC, which remains ongoing, of other PRC telecommunication companies over certain pricing practices with respect to Internet dedicated leased line services provided by them to Internet service providers. Any amendments to the PRC Anti-Monopoly Law or any changes to the PRC anti-unfair competition regime, in particular those on the telecommunications industry, may subject us to more stringent anti-monopoly and anti-unfair competition regulation. As a result of the regulatory measures, the competitive landscape in the PRC telecommunications industry may further diversify, causing more intensified competition. The implementation of asymmetrical and other regulatory measures could materially harm our competitive position, which could in turn significantly reduce our revenues and profitability, and our financial condition and results of operations also may be materially and adversely affected.

We may encounter difficulties and challenges in developing and implementing TD-LTE technologies and developing our 4G services.

We are developing and conducting our 4G business based on the TDD mode long-term evolution, or TD-LTE, technology. On December 4, 2013, the MIIT granted to CMCC, China Telecom and China Unicom permissions to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. We have subsequently launched our 4G services and rapidly expanded our 4G network. As of March 31, 2016, the number of 4G customers reached 376.5 million. However, we expect that we will continue to face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD-LTE technology. Since FDD-LTE technology is more widely used globally than TD-LTE technology and enjoys more mature value chains, we expect that our competitors' use of FDD-LTE technology will continue to pose competitive challenges to our 4G business. As a result, we cannot assure you that our implementation of TD-LTE technology and provision of telecommunications services based on TD-LTE technology will achieve the expected results.

In addition, we expect to make substantial investments in the development of our 4G services, including construction of infrastructure networks and base stations. Accordingly, the amount of our capital expenditures in future years could remain high. We incurred capital expenditures of approximately RMB79.1 billion in connection with 4G networks in 2015, and we estimate to incur capital expenditures of approximately RMB75.7 billion in 2016 for the same purpose. See "Item 5. Operating and Financial Review and Prospects — Liquidity and Capital Resources — Capital Expenditures" for more information on our expected capital expenditures. If we are unable to provide 4G services in a commercially viable manner, our ability to realize benefits from our significant capital investment and expenses in our networks and 4G services will be limited, and our operating revenue and profit from operations could decrease materially.

There remain uncertainties in connection with the future operation of the China Tower Corporation Limited (or China Tower, formerly known as China Communications Facilities Services Corporation Limited).

China Tower was established in July 2014 by China Mobile Communication Co., Ltd. or CMC, our wholly-owned subsidiary, China United Network Communications Corporation Limited, a wholly-owned subsidiary of China Unicom (Hong Kong) Limited, or China Unicom, and China Telecom Corporation Limited, or China Telecom for, among others, the construction, maintenance and operation of telecommunications towers, the construction, maintenance and operation of ancillary facilities and the maintenance of base station equipment. On October 14, 2015, CMC entered into an agreement on transfer of telecommunications towers and related assets for issuance of consideration shares and payment in cash, or the Transaction Agreement, with China United Network Communications Corporation Limited, China Telecom Corporation Limited, China Reform Holdings Corporation Ltd. and China Tower, pursuant to which CMC, China United Network Communications Corporation Limited and China Telecom Corporation Limited shall transfer their telecommunications towers and related assets to China Tower, and China Reform Corporation shall subscribe for new shares in China Tower in cash. The transfer of telecommunications towers and related assets was completed on October 31, 2015. As of March 31, 2016, we indirectly owned 38% equity interest in China Tower through CMC. We are in the process of negotiating the definitive usage arrangements with China Tower with respect to telecommunications towers. See "Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure."

The purpose of establishing China Tower is to reduce the overall capital expenditure and operational costs and redundant projects of the three major telecommunications operators and to improve network coverage of the operators. However, because the operations of China Tower are still at a preliminary stage and we do not control China Tower, China Tower may not act in the best interests of us, and there are uncertainties as to whether the services of China Tower can sufficiently support our business needs and plans, in particular, our plan to expand our 4G business, and whether China Tower can fulfill any usage arrangements to be agreed with us and properly operate, maintain and manage its assets.

Furthermore, since it is expected that none of us, China Unicom or China Telecom will construct any telecommunications tower after the establishment of China Tower, our business will rely on any usage arrangements with China Tower. We cannot assure you that we are able to use telecommunications towers and related assets on terms and conditions we desire. In particular, according to our preliminary discussion with China Tower, certain factors affecting usage pricing under discussion may be beyond our control, including inflation, real estate market and steel price fluctuation. In addition, the usage arrangements under discussion may provide for a pricing adjustment mechanism under which the fees to be charged to CMC may be adjusted upon the negotiation of the parties after considering all relevant facts and circumstances if there is a material change in the actual operations, operating data and forecast of China Tower. In addition, establishment of China Tower may allow our competitors to expand their 4G networks and businesses at a faster pace, which may, in turn, reduce our competitive advantages. Failure of China Tower to fulfill any usage arrangements to be agreed with us or properly operate, maintain and manage its assets or to provide stable services to us could adversely affect the quality of our networks, which may materially and adversely affect our business or competitiveness, as well as our financial condition and results of operations.

Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.

The rapid development of new technologies, new services and products, and new business models has resulted in distinctions between local, long-distance, wireless, cable and Internet communication services being lessened and has brought new competitors into the telecommunications market. As a result, we are subject to increasing competition from non-traditional telecommunications services providers, such as Internet service providers, mobile software and applications developers and equipment vendors, as they gain an increasing share of the telecommunications industry value chain. These new competitors compete against us in both voice and data businesses by offering mobile Internet access, Over The Top products such as instant voice and messaging services, and other mobile services. See “— Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from telecommunications services providers that use alternative technologies, which could materially and adversely affect our business and market position.”

Revenue generated from wireless data traffic grew substantially in 2015, partly due to continued increased penetration of smartphones and improvements in our services provided on our upgraded networks with the development of our 4G technology and services. However, there is no guarantee that our wireless data traffic business will continue to grow rapidly or that any increase in revenue generated from wireless data traffic will offset any decrease in our voice services revenue and revenue generated from SMS and MMS and other services. We cannot assure you that the measures we are taking in response to these challenges will achieve the results we expect.

We face a number of risks relating to our Internet-related services.

We currently provide certain Internet-related services, including mobile Internet, digital services and certain applications and information services. We face a number of risks in providing these services.

Our network may be vulnerable to unauthorized access, computer viruses and other disruptive problems. We cannot assure you that the security measures we have implemented will not be circumvented or otherwise can fully protect the integrity of our network, including our mobile network. Unauthorized access could jeopardize the security of confidential information stored in our customers' computer systems and mobile phone systems and may subject us to litigation, liabilities for information loss and/or reputational damage. Eliminating computer viruses and other security problems may also require interruptions, delays or suspension of our services, reduce our customer satisfaction and cause us to incur costs.

In addition, because we provide connections to the Internet and host websites for customers and develop Internet content and applications, we may be perceived as being associated with the content carried over our network or displayed on websites that we host. We cannot and do not screen all of such content and may face litigations due to a perceived association with such content. These types of litigations have been brought against other providers of online services in the past. Regardless of the merits of the litigations, they can be costly to defend, divert management resources and attention, and may damage our reputation.

Moreover, the development of our Internet-related services depends on our ability to continue to expand and innovate our Internet-related services. If we cannot develop or expand our Internet-related services as we anticipated, or if we develop or expand our Internet-related services at a pace slower than that of our competitors, our Internet-related services may not be as successful and we may not be able to maintain steady growth in our revenue from our Internet-related services.

Failure to capitalize on new business opportunities may substantially reduce our growth potential.

We may pursue acquisitions or otherwise make investments in other business opportunities as such opportunities arise. We cannot assure you that we will be successful in pursuing such acquisitions or investments or will otherwise be able to successfully integrate any acquired business into our existing operations. Our ability to capture new business opportunities may also depend on the availability of sufficient financing from internal as well as external sources. Any failure to capitalize on new business opportunities may materially harm our competitive position, as well as materially reduce our future profitability and growth.

We through our wholly-owned subsidiary China Mobile Group Guangdong Co., Ltd., or Guangdong Mobile, hold a 18.98% equity interest in Shanghai Pudong Development Bank, or SPD Bank as of March 31, 2016. We also have a strategic cooperation agreement with SPD Bank, pursuant to which we cooperate with SPD Bank in the areas of Internet finance and mobile payment businesses. See “Item 4. Information on the Company — Business Overview — Investments and Acquisitions.” SPD Bank’s profitability is impacted to some extent by macroeconomic conditions and changes in monetary and fiscal policies in Mainland China, and we cannot assure you that our investment in SPD Bank will achieve the desired level of return. If we encounter difficulties in carrying out our cooperation with SPD Bank, the prospects of the Internet finance and mobile payment businesses contemplated to be jointly developed by us and SPD Bank may be materially and adversely affected. Furthermore, expected benefits from our investment in networks, licenses and new technologies may not be realized.

In August 2012, CMC entered into a share subscription agreement with IFLYTEK CO., LTD., or IFLYTEK, a company listed on the Shenzhen Stock Exchange. The share subscription was completed on April 24, 2013. Concurrent with the share subscription, we and IFLYTEK also entered into a strategic cooperation agreement and, in December 2015, renewed the agreement to cooperate in various areas, including smart voice businesses, content-based businesses, customer services, basic telecommunications businesses and informatization of the telecommunications industry and other areas upon the parties’ written agreement. In collaboration with IFLYTEK, we launched “Lingxi”, a smart voice assistant application. We cannot assure you that our investment in IFLYTEK will achieve the desired level of return or the strategic cooperation will produce the expected benefits, if at all.

In June 2014, China Mobile International Holdings Limited, or CMI Holdings, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation Public Company Limited, or True Corporation, a major national telecommunications provider in Thailand, pursuant to which CMI Holdings agreed to subscribe for ordinary shares of True Corporation representing, following the completion of the subscription, 18% of the total issued and outstanding shares of True Corporation, for a total consideration of Baht 28.57 billion (approximately RMB5.51 billion). The subscription was completed in September 2014. Also in June 2014, we entered into a cooperation memorandum, and, in September 2014, we entered into a strategic cooperation agreement with True Corporation to explore business cooperation opportunities in various areas, including products or value-added services or contents, international businesses, network, device procurement, general procurement and human resources. We cannot assure you that our investment in True Corporation will achieve the desired level of return or that the intended cooperation will produce the expected benefits, if at all.

In May 2015, CMC entered into a partnership agreement with State Development & Investment Corp., or SDIC and China Mobile Fund Management Co., Ltd., or CMFM, to establish China Mobile Fund, to make investments in companies with growth potential which are engaged in the mobile Internet and related upstream and downstream businesses. Pursuant to such partnership agreement, CMC has made capital commitments of RMB1,500 million and has become a limited partner of China Mobile Fund. As of December 31, 2015, CMC had contributed RMB360 million to China Mobile Fund and had a commitment to make a further investment in the amount of RMB1,140 million upon the request by China Mobile Fund. We cannot assure you that China Mobile Fund will achieve the desired level of return.

In November 2015, China Mobile TieTong Company Limited, or CM TieTong, our wholly-owned subsidiary, entered into an agreement on transfer of business and assets of China TieTong Telecommunications Corporation, or the Acquisition Agreement, with China TieTong Telecommunications Corporation, or China TieTong, a company engaging in wireline broadband telecommunications operations and a wholly-owned subsidiary of CMCC, pursuant to which CM TieTong has agreed to acquire Target Assets and Businesses of China TieTong, for a final consideration of RMB31,967 million. The acquisition was completed in December 2015. We expect that our acquisition of Target Assets and Businesses from China TieTong will facilitate our transformation into a full service operator offering both fixed-line and mobile services, enable us to seize the opportunities in the wireline broadband market, expand our customer base, offer integrated services consisting of the wireline broadband and the mobile services, and increase our wireline broadband network capacity, coverage and efficiency through an integrated network. We cannot assure you that such acquisition of Target Assets and Businesses from China TieTong will achieve the desired level of return or otherwise produce the expected benefits, if at all, and that our plan of achieving integrated development of wireline broadband and mobile services will be successful or we can maintain steady growth in our revenue from our wireline broadband services.

We have established certain subsidiaries to carry out specialized operations, such as China Mobile Group Device Company Limited, or China Mobile Device, China Mobile International Limited, or China Mobile International, China Mobile M2M Company Limited, China Mobile Online Services Company Limited, China Mobile (Suzhou) Software Technology Company Limited, China Mobile (Hangzhou) Information Technology Company Limited, MIGU Company Limited and China Mobile Internet Co., Ltd., and we expect to further enhance our operational efficiency by establishing other subsidiaries that operate certain other aspects of our businesses. We cannot assure you, however, that this business model would be sustainable or that we will achieve the expected benefits.

Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from providers offering telecommunications services using alternative technologies, which could materially and adversely affect our business and market position.

In recent years, the telecommunications industry in Mainland China has been characterized by rapidly changing and increasingly complex technologies. Accordingly, although we strive to keep our technologies up to international standards, the mobile technologies that we currently employ may become obsolete. In addition, the development and application of new technologies involve time, substantial costs and risks. We may encounter unexpected technological difficulties in developing and implementing new technologies and, as a result, may incur substantial costs or services disruptions, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Moreover, the rapid development of new technologies, new services and products and new business models has also accelerated the convergence of local, long-distance, wireless, cable and Internet communication services and resulted in new competitors entering the telecommunications market. See “— Rapid development of new technologies, new services and products, and new business models, including Over The Top products such as instant voice and messaging services, may have a material adverse effect on our business, financial condition and results of operations.”

The intensified competitive landscape requires us to implement new technologies and develop new businesses in order to adapt to and maintain our share of the evolving value chain of the telecommunications industry in Mainland China. In order to meet the challenges posed by changes in technology and business models, we have striven to promote the development and transition from voice to data traffic operations, from mobile communication services to innovative full services, and from communication services to digital services. However, as the implementation of the components of our strategy, as well as the development of new businesses, such as mobile Internet, Internet of Things and cloud computing, require significant time, financial and other resources and involve substantial risks, we may not be able to successfully implement the components of our strategy, launch or develop such new businesses within a short time period, or otherwise achieve the expected benefits.

We cannot assure you that our continued investments in the construction of our infrastructure network may adequately address the issues resulting from the substantial increases in data traffic or otherwise achieve the desired economic returns.

Our wireless data traffic business has experienced significant growth in recent years, which contributed to the growth of our operating revenue and provides our business with further opportunities for development. In addition, we have launched our TD-LTE services, which are expected to drive further growth in data traffic. The continued substantial increase in data traffic resulting from the growth of our wireless data traffic business, our TD-LTE business and the proliferation of smartphones significantly strains the existing capacity of our telecommunications network infrastructure. As a result, we have made and will continue to make substantial investments in the construction of our infrastructure network, including our TD-LTE infrastructure, to carry the increasing data traffic. We cannot assure you that these investments would successfully address the issues resulting from the substantial increases in data traffic or otherwise achieve the desired economic returns.

Any failure to achieve and maintain effective internal controls could have a material adverse effect on our reputation, business, results of operations and the market prices of our shares and ADSs.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to prevent fraud. We are required to comply with various Hong Kong and U.S. laws, rules and regulations on internal controls, including the Sarbanes-Oxley Act of 2002. In particular, Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include a report of management on our internal control over financial reporting in our annual reports on Form 20-F that contains an assessment by our management of the effectiveness of our internal control over financial reporting. In addition, our independent registered public accounting firm must issue an auditor's report on the effectiveness of our internal control over financial reporting.

Internal controls may not prevent or detect misstatements because of their inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. In addition, projections of any evaluation of the effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in operating conditions or a deterioration in the degree of compliance with our policies or procedures. As a result, even effective internal controls are able to provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal control over financial reporting, our management may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm may disagree. If our independent registered public accounting firm is not satisfied with our internal control over financial reporting or the level at which our controls are designed or operated, or if the independent registered public accounting firm interprets the requirements, rules or regulations differently from us, it may decline to express an opinion on the effectiveness of our internal control over financial reporting or may issue an adverse opinion. Any of these possible outcomes could result in a loss of investor confidence in the reliability of our consolidated financial statements, which could cause the market prices of our ordinary shares and ADSs to decline significantly. In addition, any deficiency in our internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the New York Stock Exchange, regulatory investigations and civil or criminal sanctions.

Some employee misconduct, including misconduct by senior management, may not be detected or prevented in a timely manner, and such misconduct may damage our reputation and cause the trading price of our ordinary shares and ADSs to decrease significantly.

Certain of the management personnel of our company and our subsidiaries were alleged to have engaged in unlawful conduct in recent periods. Such allegations of unlawful conduct include the acceptance of bribes. While some of these incidents are still under investigation, we believe that such management misconduct are isolated incidents resulting from individual misconduct.

In order to further strengthen our internal system and policies for detecting and preventing similar and other misconduct, we have re-examined our policies and procedures and have implemented additional operational measures. In particular, with respect to our business cooperation arrangements with third parties, we have adjusted the model of business cooperation and have implemented more stringent policies and processes. These efforts are expected to reduce the probability of third parties engaging in improper business relationships with our employees. We have also further expanded the type of equipment, products and services that are subject to centralized procurement. Furthermore, we have implemented a rotation policy under which the management of our major operating subsidiaries will rotate among different subsidiaries every few years. In addition, we have revised our policy in relation to, and strengthened control over, the material investment projects. We have also provided ongoing compliance and ethics trainings to our employees.

As described above, we have taken various measures to prevent employee misconduct. We cannot assure you, however, that all misconducts or allegations of misconduct by our management and staff will be detected or prevented in a timely manner. If various measures we have taken prove ineffective in preventing employee misconduct, our reputation may be severely harmed, and the trading price of our ordinary shares and ADSs could decrease significantly.

We are controlled by CMCC, which may not always act in our best interest.

As of March 31, 2016, CMCC indirectly owned approximately 72.72% of our outstanding shares. Accordingly, CMCC is, and will be, able to (i) nominate substantially all of the members of our board of directors and, in turn, indirectly influence the selection of our senior management; (ii) control the timing and amount of our dividend payments; and (iii) otherwise control or influence actions that require approvals of our shareholders.

The interests of CMCC as our ultimate controlling person may conflict with the interests of our minority shareholders. In particular, CMCC may take actions with respect to our business that may not be in our other shareholders' best interest.

In addition, CMCC provides our operating subsidiaries in Mainland China with services that are necessary for our business activities. See "Item 5. Operating and Financial Review and Prospects—Overview of Our Operations—Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results." Furthermore, we operate our 3G and 4G businesses pursuant to arrangements with CMCC, which was granted licenses by the PRC government to operate a 3G business based on TD-SCDMA technology and a 4G business based on TD-LTE technology. The interests of CMCC as the provider of these services to our operating subsidiaries in Mainland China may conflict with the interests of us or our other shareholders.

We may conduct a public offering and listing of our shares in Mainland China, which may result in increased regulatory scrutiny and compliance costs as well as increased fluctuations in the prices of our ordinary shares and ADSs listed in overseas markets.

We may conduct a public offering and listing of our shares on a stock exchange in Mainland China. We have not set a specific timetable or decided on any specific form for an offering in the PRC. The precise timing of the offering and listing of our shares in Mainland China would depend on a number of factors, including relevant regulatory developments and market conditions. If we complete a public offering in Mainland China, we would become subject to the applicable laws, rules and regulations governing public companies listed in Mainland China, in addition to the various laws, rules and regulations that we are currently subject to in Hong Kong and the United States. The listing and trading of our securities in multiple jurisdictions and multiple markets may lead to increased compliance costs for us, and we may face the risk of significant intervention by regulatory authorities in these jurisdictions and markets.

In addition, under current PRC laws, rules and regulations, our ordinary shares listed on The Stock Exchange of Hong Kong Limited, or the Hong Kong Stock Exchange, will not be interchangeable or fungible with any shares we may decide to list on a Mainland China stock exchange, and there is no trading or settlement between these two markets. As a result, the trading prices of our ordinary shares listed on the Hong Kong Stock Exchange may not be the same as the trading prices of any shares we may decide to list on a Mainland China stock exchange. The issuance of a separate class of shares and fluctuations in its trading price may also lead to increased volatility in, and may otherwise materially and adversely affect, the prices of our ordinary shares and ADSs listed in overseas markets.

On November 17, 2014, the China Securities Regulatory Commission, or the CSRC, and the Hong Kong Securities and Futures Commission, or the SFC, launched a pilot scheme to allow investors in Mainland China to trade shares in designated companies listed on the Hong Kong Stock Exchange, including constituent stocks of the Hang Seng Composite LargeCap Indexes such as our ordinary shares, subject to certain quota limitations. We cannot predict the impact that this initiative will have on cross-border investment by investors in Mainland China or on the trading prices of our ordinary shares and ADSs.

Our future network capacity growth may be constrained by the frequency spectrum available to us.

Mobile network capacity is to a certain extent limited by the amount of frequency spectrum available for its use. Since the MIIT controls the allocation of frequency spectrum to mobile operators in Mainland China, the capacity of our mobile network is limited by the amount of spectrum that the MIIT allocates to our parent company, CMCC. For our GSM network, the MIIT has allocated a total of 45x2 MHz of spectrum in the 900 MHz and 1800 MHz frequency bands to be used nationwide for transmission and reception to our parent company, CMCC. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 35 MHz of spectrum to be used for nationwide coverage and an additional 50 MHz of spectrum to be used for indoor coverage. In connection with our 4G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 145 MHz of spectrum to be used for nationwide coverage, including 20 MHz of spectrum previously allocated for use by our 3G business for outdoor coverage and 50 MHz of spectrum previously allocated for use by our 3G business for indoor coverage. Under the existing agreement between CMCC and us, we have the right to use the allocated frequency spectrum in Mainland China.

We believe that our current spectrum allocation is sufficient for anticipated customer growth in the near term. However, we may need additional spectrum to accommodate future customer growth or to further develop our 4G services. We cannot assure you that we will be able to obtain additional spectrum from the MIIT that would meet our expectations or business needs on a timely basis. Our network expansion or upgrade plans may be affected if we are unable to obtain additional spectrum. This could in turn constrain our future network capacity growth and materially and adversely affect our business and prospects as well as our financial condition and results of operations.

Since our services require interconnection with networks of other operators, disruption in interconnections with those networks could have a material adverse effect on our business, profitability and growth.

Our mobile services depend, in large part, upon our interconnection arrangements and access to other networks. Interconnection is necessary in the case of all calls between our customers and customers of other networks. We have entered into interconnection and transmission line leasing agreements with other operators. Any disruption in our interconnection with the networks of other operators with which we interconnect due to technical or competitive reasons may affect our operations, service quality and customer satisfaction, and in turn our business and results of operations. In addition, any obstacles in existing interconnection arrangements and leased line agreements or any change in their terms, as a result of natural events, accidents, or for regulatory, technological, competitive or other reasons, could lead to temporary service disruptions and increased costs that could severely harm our operations and materially decrease our profitability and growth.

Compliance with the SEC's new rule for disclosures on "conflict minerals" may be time-consuming and costly and could adversely affect our reputation.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted a new rule that applies to companies that use certain minerals and metals, known as conflict minerals, in their products, including certain products manufactured for them by third parties. The new rule will require companies that use conflict minerals in the production of their products to conduct due diligence as to whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries and to file certain information with the SEC about the use of these minerals. We filed our conflict minerals report for the years ended December 31, 2013 and December 31, 2014 with the SEC on May 30, 2014 and May 29, 2015, respectively, and our conflict minerals report for the year ended December 31, 2015 is due May 31, 2016. We will incur additional costs to comply with the new due diligence and disclosure requirements. In addition, depending upon our findings, or our inability to make reliable findings, about the source of any possible conflict minerals that may be used in any products manufactured for us by third parties, our reputation could be harmed, and there may also be disruptions to our business and strategy.

Risks Relating to the Telecommunications Industry in Mainland China

We are subject to extensive government regulation and any change in the regulatory environment in the PRC, especially with respect to the telecommunications industry, may materially impact us.

As a telecommunications operator in China, we are subject to regulation by, and under the supervision of, the MIIT, the primary regulator of the telecommunications industry in China. Other PRC government authorities also take part in regulating the telecommunications industry in areas such as tariff policies and foreign investment. For example, in recent years, PRC government authorities have required the implementation of real name registration for mobile users. The regulatory framework within which we operate may limit our flexibility to respond to changes in market conditions or competition, including changes in our cost structure. We cannot predict when or if changes in tariff policies may occur. For example, in light of the national policy of achieving coordinated development of Beijing Municipality, Tianjin Municipality and Hebei Province issued by the PRC government, we cancelled the long-distance and roaming tariffs for voice services within the tariff zones of Beijing Municipality, Tianjin Municipality and Hebei Province in August 2015 so that our customers are only charged with local usage tariff for our voice services provided within the tariff zones. In addition, since May 2015, the central government has been promoting a national policy of "speed upgrade and tariff reduction" and may issue similar policies in the future. Future changes in tariff policies could significantly decrease our revenues and materially reduce our profitability. Any change in the regulatory environment in the PRC, especially with respect to the telecommunications industry, may have a material adverse effect on our business, financial condition, results of operations and prospects.

The MIIT, under the direction of the State Council, has been preparing a draft telecommunications law, which, once adopted, will become the fundamental telecommunications statute and the legal basis for telecommunications regulations in Mainland China. In 2000, the State Council promulgated a set of telecommunications regulations, or the Telecommunications Regulations, that apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will positively affect the overall development of the telecommunications industry in Mainland China, we do not fully know what will be its nature and scope. The telecommunications law and other new telecommunications regulations or rules may contain provisions that could have a material adverse effect on our business, financial condition, results of operations and prospects.

We operate our businesses with approvals granted by the State Council and under licenses granted by the MIIT. We also have arrangements with CMCC, our parent company, under which we operate a 3G telecommunications business based on the 3G license granted to CMCC by the MIIT. Furthermore, CMCC has received permission to operate a 4G business through us. Any future adverse change in the conditions or other obligations relating to these approvals and licenses could have a material adverse effect on our business, financial condition, results of operations and prospects.

The PRC government may require major operators, including us, to provide universal services with specified obligations, and we may not be compensated adequately for providing these services.

Under the Telecommunications Regulations, telecommunications operators in Mainland China are required to fulfill universal service obligations in accordance with relevant regulations to be promulgated by the PRC government, and the MIIT has the authority to delineate the scope of these service obligations. In December 2015, the Ministry of Finance, or MOF, and MIIT jointly issued a notice on the pilot program to promote basic universal telecommunications services in rural areas where telecommunications operators in Mainland China, including us, are encouraged to support the broadband development in rural and remote areas, so as to facilitate the achievement of certain strategic goals relating to “Broadband China”. This includes achieving, by 2020, the goal of broadband access in 98% of the villages by administrative division and the rural broadband access capacity of more than 12Mbps. We cannot predict whether we will be required to provide other universal services in the future and, if so, whether we will be adequately compensated by the government or by the universal service fund. We also cannot assure you whether we will be required to make contribution to the universal service fund. Any of these events could reduce our revenues and/or profitability.

Our share price has been and may continue to be volatile in response to conditions in the global securities markets generally and in the telecommunications and technology sectors in particular.

Our share price has been subject to significant volatility, due in part to highly volatile securities markets, particularly for publicly traded shares of telecommunications companies, as well as variations in our sales and profit from operations. Factors other than our results of operations that may affect our share price include, among other things, overall market conditions and performance, market expectations of our performance, projected growth in the mobile market in Mainland China and changes in our brand value. In addition, our share price may be affected by factors such as the level of business activity or perceived growth (or the lack thereof) in the telecommunications market in general, the performance of other telecommunications companies, announcements by or the results of operations of our competitors, customers and suppliers, announcements by and information released by governmental entities, and new technologies, products and services. See “Item 9. The Offer and Listing” for information regarding the trading price history of our ordinary shares and ADSs.

Actual or perceived health risks associated with the use of mobile devices could materially impair our ability to retain and attract customers, reduce wireless telecommunications usage or result in litigation.

There continues to be public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile devices. While a substantial amount of scientific research conducted to date by various independent research bodies has shown that radio signals, at levels within the limits prescribed by public health authority safety standards and recommendations, present no adverse effect to human health, we cannot be certain that future studies, irrespective of their relative reliability or trustworthiness, will not impute a link between electromagnetic fields and adverse health effects. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific understanding and public awareness of these issues. In addition, several wireless industry participants were the targets of lawsuits alleging various health consequences as a result of wireless phone usage or seeking protective measures. While we are not aware of any scientific studies or objective evidence which substantiates such alleged health risks, we cannot assure you that the actual, or perceived, risks associated with radio wave transmission will not materially impair our ability to retain customers and attract new customers, significantly reduce wireless telecommunications usage or result in litigation.

Risks Relating to Mainland China

An economic slowdown in Mainland China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects.

We conduct most of our business and generate substantially all our revenues in Mainland China. As a result, economic, political and legal developments in Mainland China have a significant effect on our financial condition and results of operations, as well as our future prospects. Though Mainland China has been one of the world's fastest growing economies in recent years in terms of gross domestic product, or GDP, growth, it may not be able to sustain the same growth rate. For example, China's real GDP growth rate declined from approximately 7.7% in 2012 to 6.9% in 2015. There is no assurance that the GDP growth rate of Mainland China will not further decline. A deterioration in Mainland China's business environment as a result of the slowdown in economic growth could reduce business activities and demand for our services, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to reviews and inspections by governmental authorities and regulatory agencies.

We are subject to reviews and inspections by various governmental authorities and regulatory agencies. These reviews and inspections could cover a broad range of aspects in relation to our business and operations, including financial reporting, tax reporting, internal control and compliance with applicable laws, rules and regulations. We are currently being inspected with respect to, among other things, our accounting and financial reporting practices. We cannot predict the impact of any findings of these reviews and inspections, and we cannot assure you that the outcome of any such reviews and inspections would not have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuation of the Renminbi could materially affect our financial condition, results of operations and cash flows.

We receive substantially all of our revenues, and our financial statements are presented, in Renminbi. The value of the Renminbi against U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong and U.S. dollars, has been based on rates set by the People's Bank of China, or PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. In April 2012, the PRC government expanded the floating band of Renminbi trading prices against the U.S. dollar in the inter-bank spot foreign currency exchange market from 0.5% to 1.0%. In August 2015, PBOC announced that the mid-point exchange rate for the floating range of Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. Renminbi depreciated against the U.S. dollar by 3.7% by March 2016 following this August 2015 announcement by PBOC. Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends payable on our ordinary shares in foreign currency terms. Our financial condition and results of operations may also be affected by changes in the value of certain currencies other than the Renminbi, in which certain of our cash and cash equivalents and bank deposits are denominated. If we incur, in the future, debt denominated in currencies other than the Renminbi, such as in the U.S. dollar, the fluctuation of the Renminbi against the other currencies could adversely affect our financial condition and results of operations. For further information on our foreign exchange risks and certain exchange rates, see "Item 3. Key Information — Selected Financial Data" and "Item 11. Quantitative and Qualitative Disclosures about Market Risk." We cannot assure you that any future movements in the exchange rate of the Renminbi against the U.S. dollar or other foreign currencies will not adversely affect our results of operations and financial condition.

The PRC legal system contains uncertainties which could limit the legal protections available to our shareholders.

Most of our operating subsidiaries are organized under the laws of the PRC and are subject to laws, rules and regulations in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases may be cited for reference but have limited precedential value. The PRC government has promulgated laws, rules and regulations dealing with economic matters, such as corporate organization and governance, commerce, property, taxation, trade and foreign investment. However, because some of these laws, rules and regulations remain relatively untested, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and/or enforcement of these laws, rules and regulations involve potentially significant uncertainties, which may limit the remedies available to our investors and to us in the event of any claims or disputes with third parties. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention. Consequently, the protection provided by the PRC legal system may not be the same as the legal protection available to investors in the United States or elsewhere. Furthermore, various uncertainties involved in the rulemaking, interpretation and enforcement process of the laws, rules and regulations in the PRC that are related to our business and operations, particularly those relating to telecommunications and taxation, may also materially and adversely affect our financial condition, result of operations and prospects.

Natural disasters and health hazards in China may severely disrupt our business and operations and may have a material adverse effect on our financial condition and results of operations.

Several natural disasters have struck Mainland China in recent years. Our network equipment, including our base stations, in the affected areas sustained extensive damages in some of these natural disasters, leading to service stoppage and other disruptions in our operations in those areas. We are unable to predict the effect, if any, that any future natural disasters and health hazards may have on our business. Any future natural disasters and health hazards may, among other things, significantly disrupt our ability to adequately staff our business, and may generally disrupt our operations. Furthermore, such natural disasters and health hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business and prospects. As a result, any natural disasters or health hazards in China may have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Substantially all of our assets and our subsidiaries are located in the PRC. In addition, most of our directors and officers reside within the PRC, and substantially all of the assets of our directors and officers are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon most of our directors or officers, including with respect to matters arising under applicable laws and regulations. Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom or most other Western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States.

As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through inspections.

Under the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board, or PCAOB, has the authority and is required to conduct continuing inspections of registered public accounting firms that provide audit services to public companies subject to the reporting requirements of the SEC. Our external auditor is registered with the PCAOB and is subject to inspections by the PCAOB. The PCAOB is currently unable to inspect a registered public accounting firm's audit work relating to a company's operations in China where the documentation of such audit work is located in China, such as our registered public accounting firm's audit work relating to our operations in China. As a result, our investors may be deprived of the benefits of PCAOB's oversight of our independent registered public accounting firm through such inspections.

If additional remedial measures are imposed on the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings against the PRC-based network firms of the Big Four accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the administrative law judge, or ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit work papers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. These firms subsequently appealed the ALJ's initial decision to the SEC. The ALJ's decision does not take effect unless and until it is endorsed by the SEC. On February 6, 2015, the four PRC-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the accounting firms to follow detailed procedures and to seek to provide the SEC with access to firms' audit documents via the CSRC. If future document productions fail to meet specified criteria or there is a problem with the process between the SEC and CSRC, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. If the accounting firms are subject to additional remedial measures imposed by the SEC or other regulatory authorities, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements could ultimately lead to the delisting of our ADSs from the New York Stock Exchange or the termination of the registration of our ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Item 4. Information on the Company.

We provide a full range of mobile services in all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China as well as in Hong Kong. Based on publicly available information, we are the leading provider of mobile services in Mainland China and the largest provider of mobile services in the world as measured by total number of mobile customers as of December 31, 2015. As of March 31, 2016, our total number of mobile customers reached approximately 833.9 million.

The History and Development of the Company

We were incorporated under the laws of Hong Kong on September 3, 1997 as a limited liability company under the name "China Telecom (Hong Kong) Limited". We changed our name to "China Mobile (Hong Kong) Limited" on June 28, 2000 and then to "China Mobile Limited" on May 29, 2006.

Our ordinary shares are listed on the Hong Kong Stock Exchange, and our ADSs, each currently representing the right to receive five ordinary shares, are listed on the New York Stock Exchange.

Expansion Through Acquisitions

At our inception, our mobile operations included those in Guangdong Province and Zhejiang Province, conducted by Guangdong Mobile Communication Company Limited (currently known as China Mobile Group Guangdong Co., Ltd.), or Guangdong Mobile, and Zhejiang Mobile Communication Company Limited (currently known as China Mobile Group Zhejiang Co., Ltd.), or Zhejiang Mobile, respectively. As part of the restructuring in preparation for our initial public offering in 1997, the former Ministry of Posts and Telecommunications transferred to us a 100% equity interest in Guangdong Mobile and a 99.63% equity interest in Zhejiang Mobile. We subsequently increased our shareholding in Zhejiang Mobile to 100%.

We carried out a series of acquisitions between 1998 and 2004, through which we acquired from CMCC, our parent company, mobile operations conducted by its other regional subsidiaries. As a result, we significantly expanded the geographical coverage of our operations to all 31 provinces, autonomous regions and directly-administered municipalities in Mainland China.

In addition, we acquired all of the issued and outstanding shares of China Resources Peoples Telephone Company Limited (currently known as China Mobile Hong Kong Company Limited, or Hong Kong Mobile), a mobile services provider based in Hong Kong, in 2006. As a result, we expanded the geographical coverage of our operations to Hong Kong.

In 2011, we, through our wholly-owned subsidiary, CMC, acquired 100% of the share capital of China Topssion Communication Co., Ltd., or Topssion, a company primarily engaged in the sale of mobile phone handsets and devices, for an aggregate purchase price of RMB237,070,000 (approximately US\$36,597,302). CMC subsequently transferred 1% of the share capital of Topssion to CMCC, and further subscribed for additional share capital of Topssion. Topssion thereafter changed its name to China Mobile Device. As of March 31, 2016, we held a 99.97% equity interest in China Mobile Device.

In 2015, we, through our wholly-owned subsidiary, CM TieTong, acquired Target Assets and Businesses of China TieTong, for a final consideration of RMB31,967 million (approximately US\$4,934.9 million). The acquisition was completed in December 2015. We expect that our acquisition of Target Assets and Businesses from China TieTong will facilitate our transformation into a full service operator offering both fixed-line and mobile services.

These acquisitions have significantly enlarged our customer base and expanded the geographical coverage and scope of our business. The integration of these acquired operations has also enabled us to realize synergies and economies of scale.

Industry Restructuring and Changes in Our Shareholding Structure

Prior to 1993, all public telecommunications networks and services in Mainland China were controlled and operated by the former Ministry of Posts and Telecommunications through the former Directorate General of Telecommunications, provincial telecommunications administrations and their city and county level bureaus.

Between 1993 and 2008, the telecommunications industry of Mainland China underwent significant reforms and restructuring that resulted in an improved competitive environment and enhanced regulation of the industry.

In March 2008, the MIIT was created as the industry regulator providing industry policy guidance and exercising regulatory authority over all telecommunications services providers in Mainland China, including, among others, formulating and enforcing industry policy, standards and regulations, granting telecommunications licenses and permits, formulating interconnection and settlement standards for implementation between telecommunications networks, formulating tariff and service charge standards for certain telecommunications services together with other relevant regulatory authorities, supervising the operations of telecommunications services providers, promoting fair and orderly market competition among operators, and allocating and administering public telecommunications resources.

On May 24, 2008, the MIIT, the National Development and Reform Commission, or the NDRC, and MOF jointly issued a joint announcement relating to the further reform of the telecommunications industry in Mainland China, which led to a future restructuring of the then-existing telecommunications services providers. The restructuring resulted in the consolidation of the telecommunications industry in China into three service providers: China Telecom, China Unicom and CMCC.

As a result of the industry restructuring in 2008 and early 2009, principal participants in the telecommunications industry in Mainland China, other than China TieTong and us, also include China Telecom and China Unicom. China Telecom and China Unicom since then operate both mobile and fixed-line services. On November 27, 2015, CM TieTong, our wholly-owned subsidiary, entered into the Acquisition Agreement with China TieTong, pursuant to which CM TieTong has agreed to acquire Target Assets and Business. The acquisition was completed in December 2015.

On July 11, 2014, CMC entered into a promoters' agreement with China United Network Communications Corporation Limited, a wholly-owned subsidiary of China Unicom, and China Telecom to establish China Tower. Pursuant to the promoters' agreement, we have made an investment of RMB4,000 million and indirectly owned a 40% equity interest in China Tower. In October 2015, CMC entered into the Transaction Agreement with China United Network Communications Corporation Limited, China Telecom, China Reform Holdings Corporation Ltd. and China Tower, pursuant to which CMC, China United Network Communications Corporation Limited and China Telecom shall transfer their telecommunications towers and related assets to China Tower, China Tower shall issue and allot shares in China Tower and/or pay certain cash as consideration for such transfers, and China Reform Corporation shall subscribe for new shares in China Tower in cash. CMC transferred its existing telecommunications towers and related assets to China Tower for a final consideration of RMB102.736 billion. As of March 31, 2016, we indirectly owned 38% equity interest in China Tower. We are in the process of negotiating the definitive usage arrangements with China Tower with respect to telecommunications towers.

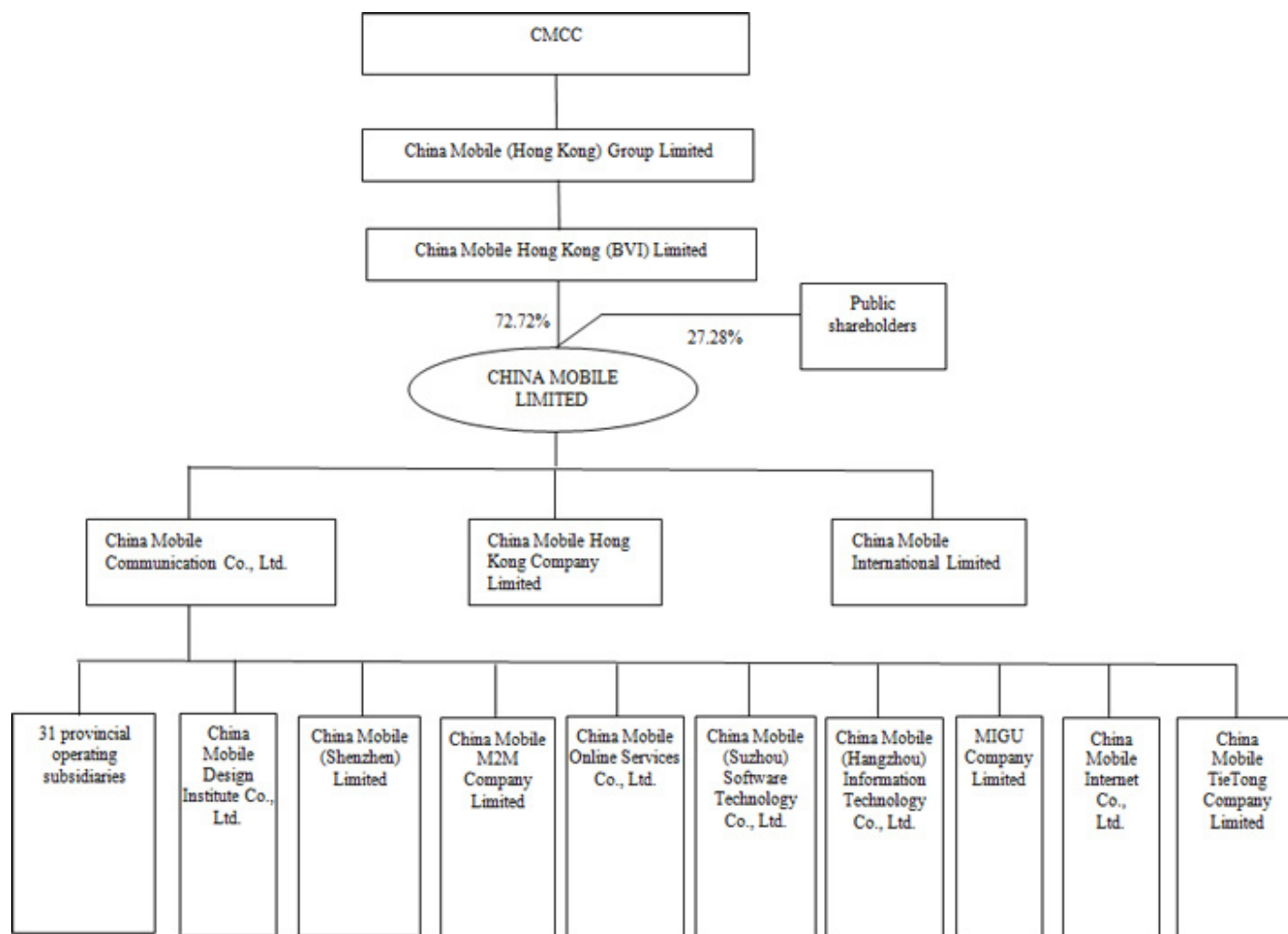
Organizational Structure

As of March 31, 2016, CMCC owned 72.72% equity interest in us through intermediate holding companies. We operate in all 31 provinces, autonomous regions and directly-administered municipalities throughout Mainland China and in Hong Kong. As of March 31, 2016, we owned, directly or through intermediate holding companies, 100% equity interests in the following companies:

- China Mobile Communication Co., Ltd.
- China Mobile Group Guangdong Co., Ltd.
- China Mobile Group Zhejiang Co., Ltd.
- China Mobile Group Jiangsu Co., Ltd.
- China Mobile Group Fujian Co., Ltd.
- China Mobile Group Henan Co., Ltd.
- China Mobile Group Hainan Co., Ltd.
- China Mobile Group Beijing Co., Ltd.
- China Mobile Group Shanghai Co., Ltd.
- China Mobile Group Tianjin Co., Ltd.
- China Mobile Group Hebei Co., Ltd.
- China Mobile Group Liaoning Co., Ltd.
- China Mobile Group Shandong Co., Ltd.
- China Mobile Group Guangxi Co., Ltd.
- China Mobile Group Anhui Co., Ltd.
- China Mobile Group Jiangxi Co., Ltd.
- China Mobile Group Chongqing Co., Ltd.
- China Mobile Group Sichuan Co., Ltd.
- China Mobile (Shenzhen) Limited
- China Mobile (Suzhou) Software Technology Co., Ltd.
- MIGU Company Limited
- China Mobile TieTong Company Limited
- China Mobile Group Hubei Co., Ltd.
- China Mobile Group Hunan Co., Ltd.
- China Mobile Group Shaanxi Co., Ltd.
- China Mobile Group Shanxi Co., Ltd.
- China Mobile Group Neimenggu Co., Ltd.
- China Mobile Group Jilin Co., Ltd.
- China Mobile Group Heilongjiang Co., Ltd.
- China Mobile Group Guizhou Co., Ltd.
- China Mobile Group Yunnan Co., Ltd.
- China Mobile Group Xizang Co., Ltd.
- China Mobile Group Gansu Co., Ltd.
- China Mobile Group Qinghai Co., Ltd.
- China Mobile Group Ningxia Co., Ltd.
- China Mobile Group Xinjiang Co., Ltd.
- China Mobile Group Design Institute Co., Ltd.
- China Mobile Hong Kong Company Limited
- China Mobile International Limited
- China Mobile M2M Company Limited
- China Mobile Online Services Co., Ltd.
- China Mobile (Hangzhou) Information Technology Co., Ltd.
- China Mobile Internet Co., Ltd.

In addition, we own a 99.97% equity interest in China Mobile Device, a 92% equity interest in China Mobile Group Finance Co., Ltd., or China Mobile Finance, and a 66.41% equity interest in Aspire Holdings Limited, or Aspire, a company incorporated in the Cayman Islands.

Set out below is a chart illustrating our corporate structure and wholly-owned subsidiaries as of March 31, 2016:



General Information

Our principal executive offices are located at 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong, China; telephone: 852-3121-8888. We also maintain a regional headquarters in each of our regional mobile companies in Mainland China and Hong Kong. Our web site address is www.chinamobileltd.com. The information on our web site is not a part of this annual report on Form 20-F.

Business Overview

Over the past several years, we have achieved a number of technological improvements and upgrades to our core mobile network, which has evolved into an integrated network that is capable of supporting transmissions using the 2G standard, 3G standard and 4G standard. We have built an Internet Protocol based core network that is capable of supporting the GSM, TD-SCDMA, WLAN and TD-LTE networks, which we believe could also evolve into a network that supports other future generations of mobile technologies. See “— Mobile Networks” below.

In addition, our acquisition from China TieTong of Target Assets and Businesses, is expected to facilitate our transformation into a full service operator offering both fixed-line and mobile services, enable us to seize the opportunities in the wireline broadband market, expand our customer base and increase our wireline broadband network capacity, coverage and efficiency through an integrated network. See “— The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure.” We continue to increase our reserves of basic resources, such as metropolitan area transmission networks, public Internet and broadband access networks in Mainland China, promote the construction of North and South Bases, data centers and call centers, accelerate Internet Data Center, or IDC, development and focus on the development of services such as dedicated lines for corporate customers.

Our Business Strategy

As a pioneer and market leader in the world's largest mobile market, we have aligned ourselves with mobile Internet development trends. We aim to maintain our leading position in 4G development in China and have fully embraced the transition from voice to data traffic operation. We have also striven to enhance our wireline broadband services and promote the transition from mobile communication services to innovative full services.

In 2015, we had focused on the development of our 4G network. As of December 31, 2015, we cumulatively put in use 1.1 million 4G base stations which covered a population of over 1.2 billion. In 2015, the number of our 4G customers increased by 222 million, reaching over 312 million by the end of the year. As of March 31, 2016, our 4G customers reached 376.5 million. We have continued to improve our quality management for 4G network to increase the average download speed and improve customer experience of our 4G network. In 2016, we will continue to focus the development of our 4G network to maintain our market leading position in China in terms of wide, continuous and deep coverage. We will take proactive measures to speed up the migration of our customers from 2G and 3G networks to 4G networks. We also plan to enhance 4G network quality and customer perception through accelerating the development of VoLTE and carrier aggregation, or CA. We aim to achieve the commercialization of VoLTE and establish our first mover advantage in this field.

Data traffic has become the primary drive for our revenue growth. In 2015, data services revenue increased by 17.4% from RMB258,462 million in 2014 to RMB303,425 million (US\$46,841 million) in 2015, surpassing our voice services revenue for the first time. Since May 2015, in response to the expectations of the general public and customers and in order to implement the national policy of "speed upgrade and tariff reduction", we, in addition to continue enhancing network capacity and increasing network speed, offered discounts to our tariff plans. In 2016, we plan to continue to strike a balance between tariff reduction and value preservation, and strive to enhance network capacity and increasing network speed for our data service customers.

With respect to corporate customers, we have focused on key services such as dedicated lines and IDC services, built a network-wide coordinated sales system to target major corporate customers and have developed product series targeting governmental and corporate customers in key industries, such as finance, education, transportation, logistics and healthcare. We further improved the transmission capacity of our fiber optic cable and the accessibility of our corporate customer dedicated lines. In 2016, we will continue to expand our corporate customer base. We plan to seize opportunities in "Internet+", and target government, medical, transportation, logistics and education sectors with tailored information technology products and services.

Furthermore, we have striven to promote our transition from mobile communication services to innovative full services. In 2016, in line with Chinese government's strategy to provide high quality broadband services, develop smart cities and increase smart home capabilities, we will emphasize the development of high-standard, high-quality and high-value wireline broadband services. We will also optimize our investment in wireline broadband by providing products featuring high connection speed, premium quality and brand.

In terms of long-term strategy, we will continue to focus our efforts on expanding digital services and leading technological innovations. We plan to increase investments in technological innovation, establish new businesses and develop new business models, including strengthening the content business and expanding smart technology and applications for some key industries. We also plan to build upon our existing customer base to boost connectivity scale and expand connections among people to connections among people and things, and among things, which may allow us to provide connection support to an Internet of Everything market where the number of connections may reach the level of ten-billion.

Customers and Usage

Our mobile customer base has grown substantially from approximately 806.6 million at the end of 2014 to approximately 826.2 million at the end of 2015. As of March 31, 2016, our total number of mobile customers reached approximately 833.9 million, our 4G customers reached 376.5 million. Our total number of wireline broadband customers reached approximately 60.6 million as of March 31, 2016, compared to 55.0 million by the end of 2015. Our customer growth is primarily attributable to a number of factors, including:

- economic growth in our markets, including in rural areas;
- the PRC government's promotion of "informatization" and reform and development initiatives targeting the rural areas of Mainland China;

- growth potential in small and medium-sized cities, rural areas and migrant population markets;
- decreased cost of initiating services due to a decline in handset prices as well as the decrease in other tariffs for our services;
- our increased marketing and sales efforts and new business initiatives;
- the implementation of our business strategy for the transformation to become an innovative integrated service provider;
- our competitive advantages in terms of scale of operations, networks, support systems, brands, marketing and sales channels, and services;
- the further development of TD-LTE industry chain, in particular the increasing availability of TD-LTE handsets, especially smartphones, in the market which contributes to the increase in our 4G customer base;
- the increasing prevalence of customers using multiple SIM cards; and
- the higher customer demand for high speed Internet access.

However, due to the increasing mobile penetration rate and intensified competition among mobile operators and from competitors in other related industries, our customer base may not continue to grow as fast as it has over the past few years, if at all.

Our total voice usage was 4,220.8 billion minutes in 2015, representing a decrease of 1.7% from 2014. Our short message services, or SMS, usage totaled 559.9 billion messages in 2015, representing a decrease of approximately 8.4% from 2014. The decrease in our voice usage and the decrease in SMS usage are partly due to the increasing competition from providers offering Over The Top products such as instant voice and messaging services.

Our total mobile data traffic was 2,760.6 billion megabytes in 2015, representing an increase of 143.7% from 2014. The increase in our mobile data traffic usage is due to our continued efforts to promote data traffic services operations, with a focus on the expansion of our 4G network.

The following table sets forth selected historical information about our customer base and customer usage as of or for the periods indicated.

	As of or for the year ended December 31,		
	2013 (As restated)	2014 (As restated)	2015
Mobile Business			
Customer Base (in millions)	767.2	806.6	826.2
4G Customer Base (in millions)	—	90.1	312.3
Total Voice Usage (in billions of minutes)	4,316.0	4,293.9	4,220.8
Mobile Data Traffic (in billions of megabytes)	526.8	1,132.9	2,760.6
Average Minutes of Usage Per User Per Month (minutes) ⁽¹⁾	486	453	430
Average Handset Data Traffic Per User Per Month (MB) ⁽²⁾	72	155	339
Average Revenue Per User Per Month (RMB) ⁽³⁾	65	59	56
Average Monthly Churn Rate (%) ⁽⁴⁾	3.15	3.13	2.78
Wireline Broadband Business			
Customer base (in millions)	—	—	55.0
Average Revenue Per User Per Month (RMB) ⁽⁵⁾	—	—	32

(1) Calculated by (A) dividing the total minutes of usage during the relevant year by the average number of customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12.

(2) Calculated by (A) dividing the total handset data usage during the relevant year by the average number of handset data users during the year and (B) dividing the result by 12.

- (3) Calculated by (A) dividing the revenue from mobile services during the relevant year by the average number of mobile customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12. The revenue from mobile services in 2013, 2014 and 2015 is derived from our consolidated statements of comprehensive income for the years ended December 31, 2013, 2014 and 2015, respectively. As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses.
- (4) Measures the monthly rate of customer disconnections from mobile telecommunications services, determined by dividing: (A) the result obtained by dividing (i) the sum of voluntary and involuntary terminations from our network (excluding internal transfer) during the relevant year by (ii) the average number of customers during the year (calculated in the same manner as in note (1) above) by (B) 12.
- (5) Calculated by (A) dividing the revenue from wireline broadband services during the relevant year by the average number of wireline broadband customers during the year (calculated as the average of the numbers of customers at the end of each of the 13 calendar months from the end of the previous year to the end of the current year) and (B) dividing the result by 12. The revenue from wireline broadband services in 2015 is derived from our consolidated statements of comprehensive income for the year ended December 31, 2015.

Businesses

Our businesses primarily consist of voice business and data business.

Voice Business. Our voice business includes voice usage services and voice value-added services.

Our voice usage services focus on enabling our customers to make and receive calls with a mobile phone at any point within the coverage area of our mobile networks. The services include local calls, domestic long distance calls, international long distance calls, domestic roaming and international roaming. Our voice usage services experienced a decline due to the substitution effect of Over The Top products and a decline in tariffs, and total voice usage decreased by 1.7% in 2015 compared to 2014.

Our voice value-added services mainly include caller identity display, caller restrictions, call waiting, call forwarding, call holding, voice mail, conference calls and other services.

Data Business. Our data businesses include short message and multimedia message services, or SMS and MMS, wireless data traffic services, wireline broadband services and applications and information services. Our data services revenue increased to RMB303,425 million in 2015, representing an increase of 17.4% from 2014. As a percentage of revenue from telecommunications services, our data services revenue increased to 52.0% in 2015 from 43.7% in 2014.

SMS refers to services that employ the existing network resources and the corresponding functions of mobile terminals to deliver and receive text messages. SMS offers convenience and multi-functionality to our customers. MMS is a technology that allows users to exchange multimedia communications, such as graphics, animated color pictures, sound files and short text messages, over wireless networks. SMS usage decreased from 611.4 billion messages in 2014 to 559.9 billion messages in 2015, and revenue generated from SMS and MMS decreased from RMB34,780 million in 2014 to RMB31,244 million in 2015 due to the increasing competition from and substitution effect of providers offering Over The Top products such as instant voice and messaging services.

Our wireless data traffic business includes mobile data traffic service and WLAN service. Revenue generated from wireless data traffic business reached RMB200,857 million in 2015, compared to RMB153,926 million in 2014.

Mobile Data Traffic. Our mobile data traffic service is a service that we provide to our customers that enables mobile access to the Internet through 2G, 3G or 4G networks. We experienced significant growth in the provision of mobile data traffic services in 2015, with mobile data traffic reaching 2,760.6 billion megabytes in 2015, representing a 143.7% increase compared to 2014. Revenue generated from mobile data traffic service reached RMB198,270 million in 2015, compared to RMB150,571 million in 2014.

WLAN. WLAN service refers to a service that provides high-speed Internet access through WLAN.

Our wireline broadband business offers primarily the wireline broadband data traffic service. Revenue generated from wireline broadband business reached RMB18,339 million in 2015.

Our applications and information services include IDC services, network resource services and various mobile application products such as Migu Music, Migu Reading, Migu Video, Migu Gaming and Migu Animation, Mobile Market and Internet of Things. Revenue generated from applications and information services reached RMB52,985 million in 2015, compared to RMB53,552 million in 2014.

In 2015, we established MIGU, focusing on explorations in digital content and applications, including music, reading, video, gaming and animation areas.

We have been making efforts to build up open platforms through our “Mobile Market” in the past few years. “Mobile Market” serves as a platform for software developers and their applications as well as our own businesses so that our customers may use their terminals to download applications and subscribe for our businesses.

In 2015, we expanded the application of Internet of Things to various areas such as urban management, smart transportation and industrial control, and have developed standardized Internet of Things products including home security services, automobile fleet management services and remote surveillance. We also established high quality and centralized public Internet of Things networks. The number of Internet of Things connections increased to over 60 million in 2015.

In addition, we have endeavored to develop personal digital services. We have established various specialized companies, including, among others, MIGU, CM Internet, CM M2M, Virtue Intelligent Network, all of which focus on digital contents, mobile Internet, Internet of Things, Internet of Vehicles and other digital services. Furthermore, we established a fund to invest in a range of industries along the value chain and also collaborated with innovative companies to establish integrated operating platforms. Nonetheless, this is an area that we believe to be in its initial stage of development, and we can make more achievements by continuing our efforts in digital services. We continue to promote our digital services and explore new operating models for China Mobile, in order to further advance the market-orientated mechanism and to strengthen our position in the competitive digital landscape through continuous innovation.

Tariffs

Our tariffs are subject to regulation by various government authorities, including the MIIT, the NDRC and the relevant price regulatory authorities in Mainland China. The MIIT has continued encouraging mobile operators in Mainland China to implement the caller-party-pays regime, and mobile operators, including us, have been implementing the caller-party-pays regime. In particular, all of the new calling plan packages that we offer in Mainland China are generally based on tariffs equivalent to the caller-party-pays regime. In March 2008, the Ministry of Information Industry, predecessor of MIIT, reduced the maximum domestic roaming usage charges that a mobile services provider may charge on roaming services. In December 2009, the PRC regulators promulgated policies to eliminate domestic roaming usage charges on outgoing international long distance calls when domestic roaming services are used, as well as eliminate local usage charges on outgoing domestic and international long distance calls when roaming services are not used. In May 2014, the PRC regulators further promulgated policies to permit mobile services providers to set the tariffs of all telecommunications services. Our international roaming usage charges are set in accordance with agreements with the relevant foreign mobile operators.

We offer our customers a variety of tariff packages that have varied monthly charges, minimum charges for basic usage, charges for usage exceeding the covered basic usage, fixed charges for selected features and functions, as well as charges for voice value-added services. We offer tariff packages with respect to wireless data traffic business, or charge the tariff by the actual data traffic usage. We also offer different tariff packages with respect to SMS and MMS, and applications and information services.

We have flexible tariff plans distinguishing between peak time and non-peak time usage, and offer tailored service plans based upon the needs of different customer groups as well as our network resources. Given the rapid growth in mobile penetration rates and increased competition, in order to remain competitive in terms of price and performance with other mobile operators, we provide certain discounts and promotional offers in and during certain service areas and call periods targeting various customers.

In 2013, we introduced mix-and-match plans, which allow our customers greater flexibility in customizing the voice, data traffic and applications components of their plans. For middle-to-high-end customers, we created a “single price” plan for local, long distance and roaming calls. In 2014, we introduced new 4G mix-and-match plans and actively sought to reduce the unit price for international roaming. We introduced RMB3/6/9 per 3 megabytes international roaming plans and RMB30/60/90 per day unlimited international data traffic plans and also expanded our 4G international roaming services. In 2015, we promoted the restructuring of tariff plans and launched innovative services such as corporate-sponsored data tariff plans and data traffic sharing service.

Since May 2015, in response to the expectations of the society and customers and in order to implement the relevant national policy, we, in addition to continue enhancing network capacities and increasing network speed, launched data tariff plans at lower rates for both peak and non-peak time. We also provided certain amount of free non-peak time data to customers, and reduced the tariffs for out-of-plan data usage and international data roaming in certain countries and regions. In addition, in October 2015, we launched an unused data traffic carry-over program for our mobile monthly plans that are charged based on pre-determined data traffic, according to which customers could carry over their monthly plan's remaining unused data traffic to the following month. Furthermore, we cancelled the long-distance and roaming tariffs for voice services within the tariff zones of Beijing Municipality, Tianjin Municipality and Hebei Province in August 2015 so that our customers are only charged with local usage tariff for our voice services provided within the tariff zones. These measures have had certain adverse impact on our financial condition and results of operations, resulting in decreases in the overall tariffs of our data traffic services and voice services in 2015, respectively, as compared to those in 2014. We may be required to further adjust our tariff under the "speed upgrade and tariff reduction" policy or implement other similar policies to be issued by the PRC government in the future. The reduction in tariffs as a result of these measures has had, and we expect that it will continue to have, adverse impact on our financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business – Our financial condition and results of operations have been adversely affected by the reduction in tariffs as a result of PRC national policies, and may continue to be affected by further reduction in tariffs due to future policy developments in the telecommunications industry."

Interconnection

Under the current telecommunications regulations, parties seeking interconnection must enter into an interconnection agreement. In addition, major telecommunications services providers that have control over essential telecommunications infrastructure and possess significant market share must allow interconnection to their networks by other operators. These telecommunications services providers must also establish interconnection rules and procedures based on the principles of non-discrimination and transparency and submit such rules and procedures to the MIIT for approval. The termination of any interconnection arrangements will require prior approval by the MIIT. The applicable regulations provide that interconnection related equipment must conform to the technical standards approved by the MIIT. See "— Regulation — Technical Standards" below.

Our networks interconnect with the networks of other operators, which enables our customers to communicate with the customers of those operators. Each of our operating subsidiaries has interconnection agreements with those operators in its service area. The economic terms of these agreements are generally standardized from province to province.

The MIIT has made adjustments to the public telecommunications network interconnection settlement standards of basic telecommunications operators in Mainland China. With effect from January 1, 2014, when mobile users of China Telecom and China Unicom in Mainland China and our mobile users in Mainland China (excluding TD-SCDMA users with specified prefix numbers of 157 and 188) make calls to each other, the settlement charges payable by China Telecom and China Unicom to us were adjusted from RMB0.06/minute to RMB0.04/minute, while the settlement charges payable by us to China Telecom and China Unicom remained at RMB0.06/minute. The MIIT will assess the above interconnection settlement policy once every two years based on the development conditions of the telecommunications market and will make adjustments when appropriate. The interconnection settlement policies for TD-SCDMA remain unchanged, meaning that when mobile users of China Telecom and China Unicom in Mainland China and our TD-SCDMA users with specified prefix numbers of 157 and 188 make calls to each other, the settlement charges payable by China Telecom and China Unicom to us are RMB0.06/minute, and the settlement charges payable by us to China Telecom and China Unicom are RMB0.012/minute. When users of different basic telecommunications operators in Mainland China send SMS or MMS to each other, the settlement charges for SMS were adjusted from RMB0.03/message to RMB0.01/message, and the settlement charges for MMS were adjusted from RMB0.10/message to RMB0.05/message.

Roaming

We provide roaming services to our customers, which allow them to access mobile services while they are physically outside of their registered service area or in the coverage areas of other mobile networks in other countries and regions with which we have roaming arrangements.

A mobile customer using domestic roaming services is charged at our roaming usage charges or, for outgoing international long distance calls, international long distance charges. A mobile customer using international roaming services incurs charges based on tariffs that vary depending on whether it is an incoming call or an outgoing call and on the destination of the call. In recent years, our international and domestic roaming usage charges have generally declined, resulting in lower average revenue per minute from roaming services. For example, in 2015, we reduced the international data roaming charges in certain countries and regions and cancelled the long-distance and roaming charges for voice services within the Beijing-Tianjin-Hebei tariff zones, in order to implement relevant national policies. See “ — Tariffs.”

Research and Development

Our research and development, or R&D, functions are undertaken jointly by our research institute, research centers in Suzhou and Hangzhou and other relevant business units. The responsibilities of our research institute include defining our network and technology evolution roadmap, supporting the operation of existing networks and services, engaging in international standard setting activities and defining corporate specifications, leading the development and field testing of new products and services, cooperating with industry partners, procurement testing and certification of network devices, mobile terminals and information technology systems. In 2015, our main R&D efforts were focused on a number of aspects:

Improving Networks and Services. In 2015, we strengthened the development and optimization of our 4G network. In particular, we improved our network performance by enhancing indoor coverage and CA, and enhanced and optimized Voice over LTE, or VoLTE, technology. We also promoted the research on the strategy of network transition to Network Function Virtualization, or NFV, and software defined network concept, or SDN, announced NovoNet technological outlook at GSM Association, launched pilot programs using NFV, and SDN and reduced the connection time for corporate customers by 70%.

Setting Technical Standards and Promoting Industry Development. We participated in the drafting and publication of three white papers on Mainland China’s fifth generation, or 5G, technology in the IMT-2020 (5G) Promotion Group. We actively promoted 5G related work in international organizations, such as the 3rd Generation Partnership Project, the International Telecommunication Union and the Next Generation Mobile Networks. In 2015, China Mobile Research Institute entered into a memorandum of understanding with each of Nokia Solutions and Networks System Technology (Beijing) Co., Ltd., or Nokia, and Ericsson (China) Communication Co., Ltd., or Ericsson, to collaborate on 5G research and development, particularly in the areas of 5G radio technology, architecture evolution towards 5G, Internet of Things and technological experiments to promote global standardization and industrialization of 5G. We presented NFV at international conferences and technology forums on multiple occasions and demonstrated VoLTE high definition audio and video based on NFV. We also won a Gold Award of Chinese Patents for our LTE related patents, which demonstrated our technological influence and innovation capability.

Building Independent R&D Capabilities in Terms of Cloud Computing and Big Data. In order to deepen the top-level design of the information technology systems and to promote the maturity of independently-developed products, we formulated plans for the construction and evolution of enterprise-level big data centers, data control and professional operations, improved the independent R&D product lines in the areas of cloud computing and big data, strengthened the application of relevant products and realized the independent integration of cloud services to the general public.

Promoting Independent Innovation of Internet-related Key Products. We formulated a complete set of technical schemes and standards for unified communication, realized the independent R&D of certain key modules, supported the industry chains and realized the interconnected testing with international communications service providers. In addition, we expanded the use of multi-connection in various areas, established the technological system for family-oriented products, and developed through independent R&D products such as Mobaihe and Internet of Things eSIM. We also materialized products of cloud services in the healthcare and education industries, promoted the unified authentication of independent R&D efforts, intra-application billing security systems and online setting of R&D service platforms for applications, and improved our competitiveness to provide differentiated services. Moreover, we built an ecosystem of platforms, unified the technological standards for vertical open platforms for our various affiliated companies and attempted to independently research and develop the centralized open platform.

Sales and Customer Services

We continue to optimize our customer service system that separate front and back line services and have established sales and services channels tailored to the needs of customers by providing electronic and mobile Internet channels.

Sales Channels. We offer our services through an extensive network of proprietary sales outlets, retail outlets and electronic sales and marketing channels. Our proprietary sales outlets, in addition to providing retail sales and network connection services, also offer differentiated services to customers, including, among others, billing information and payment collection, services consultation and sale of terminals. Most of our proprietary sales outlets provide training and service demonstrations to retail outlets, which, in turn, offer our services to customers according to agency agreements with us. In connection with these sales, all applicable fees payable after initial connection are paid to us. Our electronic channels offer services including, among others, subscription of voice value-added services and data business, change of tariff plans, credit loading for pre-paid services, sales of SIM cards and terminals and redemption of “Customer Reward” points. Sales effected through our electronic channels have increased consistently in recent years and the percentage of our business transactions that were processed through our electronic channels further increased in 2015. In addition, we are able to establish sales and service networks at lower cost by utilizing existing resources in rural areas to serve and expand our customer base in these areas. We have also established concept stores in major cities within Mainland China to showcase our services and products, particularly our data services, and to facilitate certain sales and marketing activities.

Market Segmentation Strategy. As customers’ demands for mobile telecommunications become more varied and complex, we have conducted research on market segmentation and have launched products which cater to the specific needs of different customer groups to increase awareness of our brand and products and maintain our customer base. Our marketing efforts focus on retaining middle-to-high-end customers. We have developed products, service packages and advertising and distribution channels unique to certain groups of customers, such as corporate customers and customers in the rural areas. With respect to corporate customers, we have focused on key services such as dedicated lines and IDC services, built a network-wide coordinated sales system targeting major corporate customers and have developed product series targeting governmental and corporate customers in key industries, such as finance, education, transportation, logistics and healthcare. In terms of customers in the rural areas, in order to lower the barrier of using mobile phones, we have encouraged handset producers to introduce inexpensive handsets with moderate functions.

Customer Services. Our customer support service centers offer 24-hour staff-answering and automatic-answering service hotlines in Mainland China, dealing with customer enquiries regarding services and billing, as well as handling customer complaints. Our main strategy in retaining customers is to classify our customers according to their level of value contribution and to match them with differentiated service resources according to their level, with higher-level customers enjoying premium services. Our “Customer Point Reward Program” is an important measure to this end, under which customers receive bonus points based on their service consumption and loyalty. Customers may exchange their accrued bonus points for tariffs, data and other benefits. In order to retain high-value and corporate customers and enhance customer satisfaction, we offer a series of personalized and differentiated services targeted at high-value and corporate customers, including dedicated account executives, on-site visits and systems for collecting comments and handling complaints.

In 2015, we continued to optimize our customer service processes through efforts such as improving service quality at our sales outlets, 10086 hotline and online portal. We have actively promoted electronic channels, including expanding the scope of services provided through our electronic channels and shortening the processing time at the electronic channels. In addition, we implemented service measures such as increasing transparency in the billing process, inquiry and data services unsubscription function through SMS to ensure our customers would be fully informed of the payments they would make. We continued to filter spam SMS and software that were sent to our customers. Our continued improvement in customer services resulted in broader customer satisfaction in 2015.

Service Quality. We strive to improve the quality of our services through improvements in the quality of our infrastructure network. In particular, we continued to lead the industry in 2015 in terms of low voice call drop rate of our 2G, 3G and 4G networks and highly successful connection rate, which significantly improved customer perception and laid a solid foundation for developing the 4G market. We have also improved our business support capabilities, especially in the areas of billing and data business subscription support.

Churn Management. We have devised internal monitoring systems to detect customers who are prone to discontinue their subscriptions. In particular, our churn alert system prompts customer service representatives to proactively approach those customers, and customers who have recently discontinued their service, to improve customer relations and minimize churn.

Credit Control. We have implemented customer identity and information checks during the customer registration procedures to assist in credit control. Direct debit services are available in each geographical area. The accounts of contract customers are required to be settled on a monthly basis, and a customer will be subject to late payment fees for amounts overdue and subject to account deactivation if the customer's account remains overdue. As a majority of our existing customers pre-pay for our services, we have limited credit risk exposure to our customers. We make an allowance for doubtful accounts based on our assessment of the recoverability of accounts receivable.

Corporate Social Responsibility and Sustainable Development.

We are committed to fulfilling our responsibilities to stakeholders and proactively implementing a sustainable development strategy to meet the challenges brought about by climate change. We have focused on energy conservation and environmental protection in many aspects of our operations. We furthered our "Green Action Plan" and realized a reduction in overall energy consumption per unit of information flow by 17.5% in 2015 compared with the previous year. Through our China Mobile Charity Foundation, we continued to carry out philanthropic activities such as poverty alleviation and education support. We have cumulatively sponsored treatments for 2,744 children in poverty diagnosed with congenital heart disease, and provided trainings to 80,981 principals of rural primary and secondary schools in central and western China. In addition, in response to growing phishing and spam SMS practices, we implemented policies and procedures that target phishing and spam SMS in order to reduce the spam and improper SMS sent to our customers, so as to strictly protect the privacy of our customers. In 2015, we were listed in the Dow Jones Sustainability Indices for the eighth consecutive year and were also listed in the Hang Seng Corporate Sustainability Index Series for the sixth consecutive year.

Terminals

Our TD-LTE services have been developing rapidly, and the quality and value of TD-LTE models continue to improve. Since launching our TD-LTE services, we have focused on the development of multi-mode, multi-band terminals and low cost TD-LTE terminals, as well as self-brand terminals. In 2015, we launched three self-branded smartphones, namely A1, N1 and N1 Max. A1 features a five-inch screen and support GSM, TD-SCDMA, WCDMA, TD-LTE and LTE-FDD networks. N1 is the first VoLTE-compatible smartphone in the PRC which is priced below RMB1,000 per unit, within the lower price range of smartphones in the PRC. N1 Max adopts NFC and real-name authentication technologies. In 2016, we plan to develop four self-branded smartphones, all of which will be VoLTE-compatible and support CA technology. We have devoted ourselves to promoting the long-term development of the TD-LTE terminal supply chain and have focused on the sales of 4G terminals, which strongly drove growth in data traffic. We have also entered into a long-term cooperation agreement with Apple Inc. and successfully introduced iPhone models that support TD-LTE and TD-SCDMA.

Information Systems

Our information systems primarily consist of a network management system, a business support system and a management information system. The network management system collects and processes the operating data from each network, and manages, supervises and controls our networks for safe and efficient operation. The business support system provides day-to-day operational support to each business unit, and is a unified and comprehensive system that enables the sharing of information resources. This system standardizes and integrates each of our sales, billing, settlement, customer service and network failure handling databases in a centralized and orderly manner. The management information system collects and processes our management information and provides support to our management personnel. In addition, this system has computerized and automated our management in finance, inventory, procurement and human resources. Furthermore, we have an internal communications network, which consists of our office automation system, our internal computer network, video conference system, telephone system and others, the combination of which supports our internal communications.

Trademark

We market our services under the “CHINA MOBILE” trademark, which is the trademark we use throughout Mainland China. “CHINA MOBILE” is a registered trademark in the PRC owned by our parent company, CMCC. On January 1, 2013, we entered into a trademark license agreement, or the 2013 Trademark License Agreement, to replace the trademark license agreement that we entered into in 2008, or the 2008 Trademark License Agreement. Under the 2013 Trademark License Agreement, we and our operating subsidiaries have a non-exclusive right to use the “CHINA MOBILE” trademark in Mainland China and Hong Kong. No license fee is payable by us to CMCC during the term of the 2013 Trademark License Agreement.

In addition, the “CHINA MOBILE” name has been registered as a trademark by CMCC in Australia, Brunei, Cambodia, Canada, Hong Kong, India, Indonesia, Macau, New Zealand, Pakistan, South Africa, South Korea, Taiwan, Thailand, the United States and Yemen. Furthermore, CMCC has filed applications to register the “CHINA MOBILE” name as a trademark in Malaysia, in connection with certain goods and services. CMCC has also registered the “CHINA MOBILE” name as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

In 2013, we unveiled our new corporate logo. An application for registration of the new logo has been filed in Mainland China and an application as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks has been approved in the United Kingdom and the United States. In addition, individual applications have been filed in Hong Kong, Macau, Pakistan and Taiwan.

Mobile Networks

We offer mobile services using the Global System for Mobile Communications, or GSM, standard, which is a pan-European mobile system based on digital transmission and mobile network architecture with roaming capabilities. This standard is also referred as the 2G standard. Each of our GSM networks consists of base stations, base station controllers, mobile switching centers, transmission lines and software applications. We intend to use our GSM network to primarily carry voice usage and certain data traffic from mobile phones. Our GSM networks reach virtually all cities and counties and major roads and highways, as well as a substantial part of rural areas, throughout Mainland China and, through the network of Hong Kong Mobile, a substantial part of Hong Kong.

We also offer mobile services using the TD-SCDMA standard, or the 3G standard. We operate our 3G business based on an Internet Protocol based core network that is shared by our 2G, 3G and 4G services as well as the TD-SCDMA network capacity leased from CMCC.

In addition, we provide our customers with high-speed Internet access through our WLAN access points located throughout Mainland China. WLAN connects computers using wireless communication technology. Our customers may use mobile terminals such as handsets and notebooks to gain wireless access to the Internet or a corporate intranet.

On December 4, 2013, the MIIT granted to CMCC, China Telecom and China Unicom permission to operate TD-LTE businesses, and CMCC received permission to operate a TD-LTE business through us. Subsequently, we launched our TD-LTE business. TD-LTE is one of two models of LTE, a mainstream standard for the evolution of 3G technology, and a standard for the evolution of TD-SCDMA technology. We intend to use the TD-LTE network to primarily carry high bandwidth and high quality wireless broadband businesses. As of December 31, 2015, we cumulatively put in use 1.1 million 4G base stations which cover a population of over 1.2 billion, realizing nationwide continuous coverage in cities and towns, effective coverage of data hotspot in villages, as well as full coverage of high speed rail, subways and key scenic areas, in the PRC. As of March 31, 2016, the number of 4G customers reached 376.5 million. We aim to achieve the commercialization of VoLTE and establish our first mover advantage in this field. In addition, we have been providing 4G services in Hong Kong since 2012 with the LTE FDD and TD-LTE bandwidths we previously obtained from the Office of the Telecommunications Authority of Hong Kong.

Our customers currently use our 2G services, our 3G services, our WLAN services, our 4G services, or all of them. We intend to continue our network expansion and optimization with an emphasis on improving network utilization and operating efficiency, facilitating a smooth transition between, and integration of, our 2G, 3G and 4G services, and expanding the coverage and capacity of our integrated network. We believe that we have considerable network operation and maintenance experience and technical expertise. Day-to-day traffic management, troubleshooting, system maintenance and network optimization are conducted by our experienced team of engineers and technicians. Technical staffs are available for emergency repair work 24 hours a day and we employ specialist teams for central maintenance of the networks. Most technical difficulties relating to the networks are resolved by our staff and the maintenance service providers with which we have business relationships, while our equipment suppliers also provide back-up maintenance and technical support.

Spectrum. A mobile network's capacity is to a certain extent limited by the amount of frequency spectrum available. In coordination with the relevant provincial authorities, the MIIT regulates the allocation of radio frequency. The frequency assigned to an entity is not allowed to be leased or, without approval of the MIIT, transferred by the entity to any other third party. In accordance with a joint circular from the NDRC and the MOF, CMCC has entered into an agreement with us that specifies the amount of fees to be paid to the MIIT for spectrum usage by each mobile network operator based on the bandwidth of the frequency used.

Spectrum usage fees for GSM networks are currently charged at the annual rate of RMB17 million per MHz for the 900 MHz frequency band and RMB14 million per MHz for the 1800 MHz frequency band. Spectrum usage fees are charged on the basis that uplink and downlink frequencies are separately charged. Spectrum usage fees for TD-SCDMA networks are currently charged at the annual rate of RMB15 million per MHz for the 960 MHz to 2300 MHz frequency bands and RMB12 million per MHz for the 2300 MHz to 2690 MHz frequency bands, while rates for indoor-only frequency bands are set at 30% of the corresponding full rates. As of March 31, 2016, no detailed standards have been promulgated for spectrum usage fees for TD-LTE networks. The relevant regulatory authorities in China may review these fee arrangements in the future.

Our network expansion and optimization plans depend to a large extent upon the availability of sufficient spectrum. For our GSM network, the MIIT has allocated a total of 45x2 MHz of spectrum in the 900 MHz and 1800 MHz frequency bands to be used nationwide for transmission and reception to our parent company, CMCC. In connection with our 3G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 35 MHz of spectrum to be used for nationwide coverage, and an additional 50 MHz of spectrum to be used for indoor coverage. In connection with our 4G business, the MIIT has allocated to CMCC, in various frequency bands, a total of 145 MHz of spectrum to be used for nationwide coverage, including 20 MHz of spectrum previously allocated for use by our 3G business for outdoor coverage and 50 MHz of spectrum previously allocated for use by our 3G business for indoor coverage. Under the existing agreement between CMCC and us, we have the right to use CMCC's allocated frequency spectrum in Mainland China.

Transmission Infrastructure. The physical infrastructure linking our network components and interconnecting our networks to other networks consists of transmissions lines, which provide the backbone infrastructure through which voice and data traffic is carried.

Leased Lines. The MIIT determines the standard lease tariffs to be paid by telecommunications operators with respect to the leasing of transmission lines that facilitate interconnection between telecommunications networks. Transmission lines constructed by us reached a sizeable scale through the continuous optimization of our network structure in recent years. In addition to our own transmission lines, we also lease intra-provincial and local transmission lines from other operators and pay them fees based on tariff schedules stipulated by the relevant regulatory authorities after adjusting for the discounts that we have negotiated. For the inter-provincial transmission lines we lease through CMCC from other providers, CMCC collects leasing fees from us and pays fees to the relevant transmission line providers.

Base Stations. In urban areas, our base stations are located mostly on existing structures, typically at the top of tall buildings. In rural areas, masts or towers are often constructed for locating base stations. In 2015, we focused on constructing 4G base stations, and put in use 1.1 million 4G base stations, which cover a population of over 1.2 billion in the PRC. We utilize the telecommunications towers from China Tower to construct our base stations.

Equipment Suppliers. We select our principal suppliers from leading international and domestic manufacturers of mobile equipment and in accordance with technical standards set by the MIIT. In 2015, we purchased our networks equipment primarily from Huawei Technologies, ZTE Corporation, Ericsson, Nokia, FiberHome and Alcatel-Lucent Shanghai Bell.

Investments and Acquisitions

As of March 31, 2016, Guangdong Mobile, our wholly-owned subsidiary, held a 18.98% equity interest in the issued share capital of SPD Bank as a result of shares issued to certain other shareholders, compared to a 20% equity interest as of December 31, 2015. SPD Bank is a joint-stock commercial bank incorporated in the PRC, with its shares listed on the Shanghai Stock Exchange. We and SPD Bank entered into a strategic cooperation agreement in November 2010, pursuant to which we and SPD Bank cooperate in the areas of internet finance and mobile payment businesses in Mainland China, as well as in the sharing of customer services and channels resources. Through such strategic cooperation, we and SPD Bank have issued China Mobile – SPD Bank co-branded debit and credit cards, which support NFC, in 29 provinces in Mainland China. In January 2016, we renewed our strategic cooperation with SPD Bank and developed an “and-Finance” system to provide SPD Bank and our customers with payment, wealth management and financing services.

In August 2012, CMC, our wholly-owned subsidiary, entered into a share subscription agreement with IFLYTEK, pursuant to which CMC would subscribe for 15% of the shares of IFLYTEK for an aggregate subscription price of RMB1,363,314,339 (approximately US\$210,459,468). The share subscription was completed on April 24, 2013. Concurrent with the share subscription, we and IFLYTEK entered into a strategic cooperation agreement and, in December 2015, renewed the agreement to cooperate in various areas, including smart voice businesses, content-based businesses, customer services, basic telecommunications businesses and informatization of the telecommunications industry and other areas upon the parties’ written agreement. As of December 31, 2015, CMC held a 13.93% equity interest in IFLYTEK.

In June 2014, CMI Holdings, our wholly-owned subsidiary, entered into a share subscription agreement with True Corporation, a major national telecommunications provider in Thailand, pursuant to which CMI Holdings agreed to subscribe to ordinary shares of True Corporation representing, following the completion of the subscription, 18% of the total issued and outstanding shares of True Corporation, for a total consideration of Baht 28.57 billion (approximately RMB5.51 billion). The subscription was completed in September 2014. Also in June 2014, we entered into a cooperation memorandum, and, in September 2014, we entered into a strategic cooperation agreement with True Corporation to explore business cooperation opportunities in various areas, including products or value-added services or contents, international businesses, network, device procurement, general procurement and human resources.

In May 2015, CMC, our wholly-owned subsidiary, entered into a partnership agreement with SDIC, and CMFM, to establish China Mobile Fund to make investments in companies with growth potential which are engaged in the mobile Internet and related upstream and downstream businesses. Pursuant to such partnership agreement, CMC has made a capital commitment of RMB1,500 million (approximately US\$231.6 million) and became a limited partner of China Mobile Fund. As of December 31, 2015, CMC had contributed RMB360 million to China Mobile Fund and has a commitment to make further investment in an amount of RMB1,140 million upon the request by China Mobile Fund.

In November 2015, CM TieTong, our wholly-owned subsidiary, acquired Target Assets and Businesses of China TieTong, for a final consideration of RMB31,967 million (approximately US\$4,934.9 million). Target Assets and Businesses acquired include approximately 99,000 cable kilometers of nationwide backbone networks, approximately 1,822,000 cable kilometers of metro fiber, approximately 24.71 million IPv4 addresses, 1,814 real properties and 685 land assets, approximately 11.98 million customers of fixed broadband services, and approximately 18.29 million customers for wireline services. The acquisition was completed in December 2015. The aforementioned acquisition of Target Assets and Businesses of China TieTong was considered as a business combination under common control as CM TieTong and China TieTong are both ultimately controlled by our parent company, CMCC. Under IFRSs, such acquisition was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA. Accordingly, the acquired Target Assets and Businesses are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if Target Assets and Businesses had always been part of the Group. As a result, the Group has restated the 2011, 2012, 2013 and 2014 comparative amounts of the consolidated statements of comprehensive income by including the operating results of Target Assets and Businesses and eliminating its transactions with Target Assets and Businesses, as if the acquisition had been completed on the earliest date of the periods being presented, i.e., January 1, 2011. The consolidated balance sheets of the Group as at December 31, 2011, 2012, 2013 and 2014 was restated to include the assets and liabilities of Target Assets and Businesses. See Note 2(b) to our consolidated financial statements.

We expect that our acquisition of Target Assets and Businesses will facilitate our transformation into a full service operator offering both wireline broadband and mobile services, enable us to seize the opportunities in the wireline broadband market, expand our customer base, offer an integrated services consisting of the fixed-line and the mobile services, and increase our wireline broadband network capacity, coverage and efficiency through an integrated network.

Competition

We compete with other telecommunications services providers. We are one of the three licensed telecommunications services providers in Mainland China. The PRC government encourages orderly and fair competition in the telecommunications industry in Mainland China. We may also face intense competition from existing operators from time to time. Our competitors launch, from time to time, promotional offers, such as handset subsidies and tariff packages, to attract customers.

In May 2008, the MIIT, the NDRC and the MOF jointly announced a policy initiative to further reform the PRC telecommunications industry by encouraging the formation of three telecommunications services providers of comparable scale and standing, each with nationwide network resources, full-service capabilities and competitive strength, by way of a series of restructuring transactions. See “Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure.”

After completion of the industry restructuring in January 2009, China Telecom and China Unicom have been benefiting from, among other things, broader customer bases, more extensive networks, greater financial and other resources and more comprehensive technological capabilities, as compared to their customer bases, networks, resources and technological capabilities prior to the industry restructuring. These factors have intensified, and could further intensify, competition. On November 27, 2015, CM TieTong entered into the Acquisition Agreement with China TieTong to acquire Target Assets and Business, which we expect will facilitate our transformation into a full service operator offering both wireline broadband and mobile services. Having each operated a wireline broadband services business for a number of years, China Telecom and China Unicom have advantage in terms of the wireline broadband services. In January 2016, China Unicom and China Telecom entered into a strategic cooperation agreement to promote resource-sharing between the two companies. The areas of strategic cooperation include sharing capital expenditure such as their new rural 4G network, promoting a new smartphone standard, and jointly negotiating international roaming rates. Such cooperation as contemplated by our two major competitors, if materialized, may significantly change the competitive landscape of telecommunications industry in Mainland China.

In addition, the PRC government has begun to allow certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers on a trial basis and we may face increasing competition from these new mobile network operators. We also face increasing competition from providers offering telecommunications services using alternative technologies. Furthermore, we expect that we will face intense competition in the delivery of 4G services from China Telecom and China Unicom, which have received permits to operate their 4G services based mainly on FDD-LTE technology. See “Risk Factors — Risks Relating to Our Business — Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations.” And “Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected.”

Regulation

The telecommunications industry in Mainland China is highly regulated. Regulations issued or implemented by the State Council, the MIIT and other relevant government authorities, including the NDRC and the Ministry of Commerce, encompass all key aspects of telecommunications network operations, including entry into the telecommunications industry, scope of permissible business, interconnection and transmission line arrangements, technology and equipment standards, tariff standards, capital investment priorities, foreign investment policies and spectrum and numbering resources allocation.

The MIIT, under the supervision of the State Council, is responsible for formulating policies and regulations for the telecommunications industry, granting telecommunications licenses, allocating frequency spectrum and numbers, formulating interconnection and settlement arrangements between telecommunications operators, and enforcing industry regulations.

In order to provide a uniform regulatory framework to encourage the orderly development of the telecommunications industry, the MIIT, under the direction of the State Council, has been preparing a draft telecommunications law. We expect that, if and when the telecommunications law is adopted by the National People's Congress, it will become the basic telecommunications statute and the legal source of telecommunications regulations in Mainland China. In addition, the State Council promulgated a set of telecommunications regulations on September 25, 2000. These regulations apply in the interim period prior to the adoption of the telecommunications law. Although we expect that the telecommunications law will have a positive effect on the overall development of the telecommunications industry in Mainland China, we cannot predict what will be the ultimate nature and scope of the telecommunications law.

On December 25, 2015, MIIT issued the Catalog of Telecommunications Services (2015 Edition), which became effective on March 1, 2016. It sets out classifications of various telecommunication services for regulatory and licensing purposes.

Entry into the Industry. Under the current regulations, operators of mobile networks, providers of other basic telecommunications services such as local and long distance fixed-line telephone services, and data service providers whose telecommunications services cover two or more provinces, directly-administered municipalities or autonomous regions in Mainland China must apply for specific permits from the MIIT in order to provide such services. Granting of permits for providing basic telecommunications services will be through a tendering process. In addition to us, China Telecom and China Unicom are currently also authorized to provide mobile services in all provinces, directly-administered municipalities and autonomous regions in China.

Pursuant to China's commitments under the WTO and the Provisions on the Administration of Foreign-Funded Telecommunications Enterprises, which became effective on January 1, 2002, foreign investors may invest in joint ventures that provide telecommunications services in Mainland China. However, these investments will presumably bear no direct relation to the issuance of licenses to providers of telecommunications services in Mainland China, as the issuance of new licenses by the relevant authority is governed by a separate set of rules and regulations. Pursuant to the Provisions on the Administration of Foreign-Funded Telecommunications Enterprises, as amended in September 2008, foreign ownership in a telecommunications enterprise may be gradually increased to 49% if such enterprise provides basic telecommunications services and 50% if such enterprise provides value-added telecommunications services.

The MIIT has promulgated the Administrative Measures for the Licensing of Telecommunication Business Operations, which became effective on April 10, 2009. Those regulations apply to the application for, and examination and approval of, telecommunications business licenses in the PRC.

The PRC government implemented a number of measures that permit certain operators approved by the MIIT to lease and repackage mobile services for sale to end customers. On May 17, 2013, the MIIT announced that it would accept applications from non-State-owned companies to, on a trial basis, lease mobile services from China Unicom, China Telecom or us and provide mobile services to end customers after repackaging these services. The trial period ended on December 31, 2015.

Numbering Resources. The MIIT is responsible for the administration of the telecommunications numbering resources within Mainland China, including the telecommunications network numbers and customer numbers. The use of numbering resources by any telecommunications operator is subject to the approval by the MIIT. In addition, a user of numbering resources is required to pay a usage fee to the PRC government by the 10th day of the first month of each quarter. Moreover, under the applicable regulations, mobile companies are required to pay an annual usage fee of RMB12 million for each network number.

Technical Standards. Certain regulatory authorities in Mainland China, including the MIIT, set technical standards and control the type, quality, manufacturing and sales of mobile equipment used in or connected to public networks, all radio telecommunications equipment and all interconnection related equipment.

The establishment of base stations requires the approval of the relevant provincial regulatory authorities. We have not experienced and do not expect to experience material difficulty in obtaining permission to establish additional sites.

Capital Investment. We may be required to obtain approvals from relevant regulatory authorities in Mainland China with respect to some of our investment projects.

Sharing of Telecommunications Infrastructure. In December 2014, the MIIT and the SASAC jointly issued the 2015 Implementation Opinions on Promoting the Joint Construction and Sharing of Telecommunications Infrastructure, or the Opinions. The Opinions required joint construction and sharing of three types of facilities, including transmission poles, pipelines, and indoor distribution systems, and identified four types of key sites, including public transportation, scenic areas and parks, buildings and other sites designated by local communications authorities, and two key areas of construction, namely the inter-provincial trunk cables and domestic extensions of international transmission systems. The Opinions require that: the primary telecommunications enterprises, in principle, should not construct on their own supporting facilities for base stations, such as the telecommunications towers, and the indoor distribution systems for public transportation and buildings; which shall be uniformly constructed by China Tower; regarding the construction of transmission poles and pipelines for the four types of key sites and the two key areas of construction, both joint construction and joint sharing are mandatory whenever conditions allow; regarding the construction of Fiber to the Home, or FTTH, in newly-built residential areas, the two national standards applicable to FTTH construction should be strictly implemented; as to the Internet facilities for the broadband access in existing residential areas, joint sharing is mandatory whenever conditions allow.

Convergence of Telecom, Broadcasting and Internet Businesses. In January 2010, the PRC government announced a policy decision, or the Three-Network-Convergence Policy, to accelerate the advancement of the convergence of television and radio broadcasting, telecommunications and Internet access businesses in order to realize interconnection and resource sharing between the three networks and further develop the provision of voice, data, television and other services. The PRC government may amend the relevant regulations or promulgate new regulations in order to implement the Three-Network Convergence Policy. In 2012, we received an audio and video transmission license from the former State Administration of Radio, Film and Television of the PRC, which enables us to provide audio and video programs through mobile Internet.

VAT Reform Applicable to the Telecommunications Industry. Effective from June 1, 2014, the PRC business tax was replaced with a VAT in the telecommunications industry. The pilot tax rate for basic telecommunications services is 11% and the pilot tax rate for value-added telecommunications services is 6%. The application of the VAT to the telecommunications industry has had, and is expected to continue to have, an adverse effect on our operating revenue and profits in the short term. See “Item 3. Key Information — Risk Factors — Risks Relating to Our Business — Implementation of value-added tax in Mainland China has had, and is expected to continue to have, a negative impact on our operating revenue and profit.”

Our output VAT is excluded from operating revenue while our input VAT, which is incurred as a result of our receipt of services and purchases of telecommunications equipment and materials, is excluded from operating expenses or the original cost of equipment purchased and can be netted against our output VAT, arriving at the net amount of VAT recoverable or payable. As the VAT obligations are borne by our branches and subsidiaries, input and output VAT are set off at branches and subsidiaries levels, and the net amount of VAT recoverable or payable of branches and subsidiaries are not offset at the consolidation level. Such net amount of VAT is recorded in the line item of prepayments and other current assets and accrued expenses and other payables, respectively on the face of consolidated balance sheets.

We will strive to reduce the short-term adverse effect of the application of VAT to the telecommunications industry on our revenues and profits. Through various measures, including optimization of the development and sales and marketing models, implementation of enhanced management over cost, procurement and vendors’ tax qualifications, obtaining more input VAT credits on capital expenditure, we may receive more input VAT credits to offset our VAT output tax obligation. Besides, we can optimize our revenue structure by actively promoting value-added telecommunications services, which are subject to a lower VAT rate. As a result, our overall VAT obligation could be further reduced.

As the application of VAT is expected to expand to other industries nationwide from May 1, 2016, such as construction industry and other service industries, more capital expenditures and operating expenses, such as commission and service expenses for third parties will be entitled to input VAT credits in the future, and in turn, further offset our VAT output tax obligations. This will be beneficial to the development of our business and further reduce the adverse impact of the implementation of VAT on our operating revenues and profitability.

For the regulations in relation to tariff setting, spectrum usage, interconnection arrangements and lease line arrangements, see “—Tariffs”, “—Interconnection”, “— Mobile Networks — Spectrum” and “— Mobile Networks — Leased Lines”.

Employees. As of December 31, 2013, 2014 and 2015, we had 197,030, 241,550 and 438,645 employees, respectively. The significant increase in the number of the employees in 2015 was attributable to the requirement of reducing the proportion of labor sourced by third parties that provide services to us among the total labor under the Labor Contract Law of the People's Republic of China, as amended, and its associated regulations, as a result of which we have made an adjustment on the structure of employees and outsourcing labor, leading to the significant increase in the number of employees and the significant decrease in number of outsourcing labor in 2015. Substantially all of our employees are located in Mainland China. The employees as of December 31, 2015 are classified in the following table. Approximately 56.56% of our permanent employees have college or graduate degrees. Set forth below is a breakdown of our employees by function as of December 31, 2015.

Management	33,435
Technical	92,846
Marketing	240,230
General affairs	42,665
Other	29,469
Total	<u>438,645</u>

We provide benefits to certain employees, including housing, retirement benefits and hospital, maternity, disability and dependent medical care benefits. Most of our employees are members of a labor association. We have not experienced any strikes, slowdowns or labor disputes that have interfered with our operations during 2015, and we believe that our relations with our employees are good.

The number of labor sourced by third parties reached 62,771 by the end of 2015.

Properties, Plants and Equipment

We own, lease or have usage rights in various properties which consist of land and buildings for offices, administrative centers, staff quarters, retail outlets and technical facilities. We believe that all of our owned and leased properties are well maintained and are suitable and adequate for our present use.

Disclosure of Iranian Activities under Section 13(r) of the Exchange Act

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 added Section 13(r) to the Exchange Act. Section 13(r) of the Exchange Act requires an issuer to disclose in its annual or quarterly reports, as applicable, whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with designated natural persons or entities involved in terrorism or the proliferation of weapons of mass destruction. Disclosure is required even where the activities, transactions or dealings are conducted outside the U.S. by non-U.S. affiliates in compliance with applicable non-U.S. law, and whether or not the activities are sanctionable under U.S. law.

As of the date of this report, we are not aware of any activity, transaction or dealing by us or any of our affiliates in 2015 that requires disclosure in this report under Section 13(r) of the Exchange Act, except as set forth below.

CMCC, our parent company, is a party to international GSM roaming agreements with Telecommunication Kish Company and Mobile Company of Iran in Iran, which may be government-controlled entities. China Mobile International, one of our wholly-owned subsidiaries, is a party to an international roaming agreement with Irancell Telecommunications Services Company in Iran, which may be a government-controlled entity. In 2015, our gross revenue generated by roaming traffic under these agreements was less than US\$500,000, and our net profit generated by roaming traffic under these agreements was insignificant.

China Mobile International intends to, and we understand that CMCC intends to, continue these activities in the future.

Item 4A. Unresolved Staff Comments.

None.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion and analysis in conjunction with our consolidated financial statements, together with the related notes, included elsewhere in this annual report on Form 20-F.

Our consolidated financial statements as of and for the years ended December 31, 2011, 2012, 2013 and 2014 have been restated to reflect our acquisition of Target Assets and Businesses of China TieTong in December 2015. See “Item 4. Information on the Company — Business Overview — Acquisition from China TieTong of certain Assets, Businesses and Related Liabilities and Employees” and Note 2(b) to our consolidated financial statements.

Overview of Our Operations

The following table sets forth selected information about our operations for the periods indicated.

	Year ended December 31,		
	2013 (As restated) ⁽¹⁾	2014 (As restated) ⁽¹⁾	2015
Total Voice Usage (in billions of minutes)	4,316.0	4,293.9	4,220.8
Mobile Data Traffic (in billions of megabytes)	526.8	1,132.9	2,760.6
Operating Revenue (in RMB millions)	640,048	651,509	668,335
Operating Expenses (in RMB millions)	508,624	534,189	565,413
Profit Attributable to Equity Shareholders (in RMB millions)	116,791	109,218	108,539

- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses.

In 2013, 2014 and 2015, our customer base continued to experience stable growth while our wireless data traffic business continued to experience rapid growth. Our total net increase in the number of customers was 19.6 million in 2015 and our total customer base reached 826.2 million as of December 31, 2015. Our total voice usage decreased by 0.5% in 2014 and decreased by 1.7% in 2015. Our mobile data traffic increased by 115.1% in 2014 and by 143.7% in 2015. As a result, our operating revenue increased by 1.8% in 2014 and by 2.6% in 2015. Our data business continued to grow, and our data services revenue accounted for 43.7% and 52.0% of our revenue from telecommunications services in 2014 and 2015, respectively. Our operating expenses increased by 5.0% in 2014 and by 5.8% in 2015. Our profit attributable to equity shareholders decreased by 6.5% in 2014 and by 0.6% in 2015.

The PRC economy continued to grow in terms of GDP by 6.9% in 2015, which provided a favorable environment for our continued business development. However, we faced various challenges arising from increased market saturation and intensified competition among mobile operators and from providers offering telecommunications services using alternative technologies, in particular Internet service providers. As the mobile penetration rate in Mainland China reached 95.5% as of December 31, 2015, the mobile markets in some economically developed regions of Mainland China has begun to show signs of saturation. We intend to continue to cope with market and industry challenges that may arise from time to time by leveraging our customer base, network quality, brand name, execution capabilities and quality of our customer service. Moreover, economic growth in the PRC and its modernization and urbanization offer an opportunity and platform for the ongoing development of the telecommunications industry, in particular the development of mobile Internet. Such development presents potential opportunities for us to further develop our wireless data traffic business and applications and information services.

We have been a mobile services provider in China since our inception in 1997. We acquired all of the issued and outstanding shares of Hong Kong Mobile in 2006, which enabled us to expand into the Hong Kong mobile market. See “Item 4. Information on the Company — The History and Development of the Company — Expansion Through Acquisitions.”

We operate in an extensively regulated environment and our operations and financial performance are significantly affected by the PRC government's regulation of the telecommunications industry. These regulations and policies may affect, among other things, our tariffs, technology and equipment standards and capital investment, as described in more detail under "Item 4. Information on the Company — Business Overview — Regulation" and "Risk Factors — Risks Relating to Our Business — Our financial condition and results of operations have been adversely affected by the reduction in tariffs as a result of PRC national policies, and may continue to be affected by further reduction in tariffs due to future policy developments in the telecommunications industry." In addition, we believe that the effects of the industry restructuring that took place in 2008, increasing competition from telecommunications services providers that use alternative technologies and entry of non-State-owned telecommunications services providers into the telecommunications services market have had, and will continue to have, a significant impact on the competitive landscape of the telecommunications industry in Mainland China. We expect competition from other telecommunications services providers may intensify. See "Risk Factors — Risks Relating to Our Business — Competition from other telecommunications services providers and competitors in other related industries may further increase, which may reduce our market share and decrease our profit margin, and we cannot assure you that any potential change in the competitive landscape of the telecommunications industry in Mainland China would not have a material adverse effect on our business, financial condition and results of operations", "Risk Factors — Risks Relating to Our Business — Changes in technology and business models may render our current technologies and business model obsolete and intensify competition from providers offering telecommunications services using alternative technologies, which could materially and adversely affect our business and market position" and "Risk Factors — Risks Relating to Our Business — Current or future asymmetrical and other regulatory measures adopted by the PRC regulatory authorities could materially harm our competitive position, which would in turn significantly reduce our revenues and profitability, and our financial condition and results of operations may be materially and adversely affected." Our financial performance is also subject to the economic and social conditions in Mainland China. See "Risk Factors — Risks Relating to Mainland China — An economic slowdown in Mainland China may reduce the demand for our services and have a material adverse effect on our business, financial condition, results of operations and prospects."

Our Operating Arrangements with CMCC Have Affected and May Continue to Affect Our Financial Results

We have entered into agreements with CMCC with respect to, among other things, inter-provincial transmission lines leasing. Pursuant to these agreements, for the inter-provincial transmission lines we lease from other providers through CMCC, CMCC maintains its inter-provincial transmission line leasing arrangements with the relevant transmission line providers, and collects leasing fees from us and pays fees to the relevant transmission line providers.

Prior to September 13, 2012, we had an arrangement with CMCC under which CMCC maintained its settlement arrangements with respect to international interconnection and roaming with the relevant telecommunications services providers in foreign countries and regions, and collected the relevant usage fees and other fees from us and paid the same to the relevant mobile services providers in foreign countries and regions. On September 13, 2012, we entered into an agreement with CMCC, pursuant to which CMCC would gradually transfer its settlement arrangements with certain telecommunications services providers in foreign countries and regions to China Mobile International, our wholly-owned subsidiary. As a result, our arrangement with CMCC with respect to international interconnection and roaming with certain telecommunications services providers is being gradually phased out.

We have also entered into a telecommunications services cooperation agreement with CMCC, pursuant to which we and CMCC provide customer development services to each other by utilizing our respective sales channels and resources, and cooperate in the provision of basic telecommunications services and value-added telecommunications services to customers of each other. Since 2013, we have paid the leasing fees to CMCC for the "Village Connect" assets constructed before 2013 and undertaken the investments on any new "Village Connect" assets after 2013.

We have also entered into a network capacity leasing agreement with CMCC, pursuant to which we and our operating subsidiaries lease TD-SCDMA network capacity from CMCC and pay leasing fees to CMCC. We have also entered into a network assets leasing agreement with CMCC, pursuant to which we and CMCC will lease our respective telecommunications network operation assets to each other for a leasing fee.

Tariff Adjustments

The tariffs charged by PRC telecommunications operators are regulated by the PRC government. Moreover, we are allowed to offer our customers a variety of tariff packages with different monthly charges, levels of basic usage and charges for usage exceeding the covered basic usage, voice value-added services, data services and other features. See "Item 4. Information on the Company — Business Overview — Tariffs."

Our average voice services revenue per minute has generally decreased in recent years as tariffs have generally decreased. We expect the decrease in tariffs to gradually slow down after the adjustments we implemented in recent years.

Our ARPU Has Declined in Recent Years and May Further Decline in the Future

Our average revenue per user, or ARPU, has been declining in recent years. In 2015, our ARPU for mobile users decreased to RMB56 from RMB59 in 2014, primarily due to our reduction of tariff and the availability of alternative services through the Internet. Our ARPU may further decline due to the same factors. In 2015, our ARPU for broadband users was RMB32.

Critical Accounting Policies and Estimates

The following discussion and analysis is based on our consolidated financial statements, which have been prepared in accordance with IFRS for the years ended December 31, 2013, 2014 and 2015. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and revenues and expenses during the years reported. Estimates are also used when accounting for certain items such as revenue recognition, interest income, allowance for doubtful accounts, depreciation, impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets arising from acquisitions. Actual results may differ from those estimates under different assumptions or conditions.

We believe that the following critical accounting estimates and related assumptions and uncertainties inherent in our accounting policies have a more significant impact on our consolidated financial statements, either because of the significance of the financial statement elements to which they relate or because they require judgment and estimation.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. If it is probable that the economic benefits will flow to us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in our profit or loss as follows:

(i) revenue derived from voice and data services is recognized when the service is rendered;

(ii) sales of products are recognized when title passes to the buyer;

(iii) for offerings that include the provision of services and the sale of mobile handsets, we determine revenue from the sale of the mobile terminals by deducting the fair value of the service element from the total contract consideration; and

(iv) for transactions that offer customer points rewards when the services are provided, the consideration allocated to the customer points rewards is based on its fair value, which is recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expire.

Interest Income

Interest income is recognized as it accrues using the effective interest method.

Allowance for Doubtful Accounts

We maintain allowances for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables at each balance sheet date. Our estimates are based on the aging of our accounts receivable and other receivable balances and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate, additional allowances may be required.

Depreciation

Depreciation is based on the estimated useful lives of items of property, plant and equipment, less their estimated residual value, if any, to write off the cost of these items using the straight-line method over their estimated useful lives. We review the estimated useful lives and residual values of our assets annually. We determine the useful life and residual values of our assets based on our historical experience with similar assets, expected usage of the assets and anticipated technological changes with respect to those assets. Estimates and assumptions used in setting depreciable lives require both judgment and estimation. Our policies regarding accounting for these assets are set forth in note 2(h) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Impairment of Property, Plant and Equipment, Interest in Associates, Goodwill and Other Intangible Assets

Our property, plant and equipment, consisting primarily of telecommunications transceivers, switching centers, transmission and other network equipment, comprise a significant portion of our total assets. Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment, interest in associates and other intangible assets subject to amortization are reviewed at least annually to determine whether there is any indication of impairment. The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. In addition, for goodwill and other intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgment relating to level of revenue and amount of operating costs. We use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in further impairment charge or reversal of impairment in future periods. No impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets was recorded in 2013, 2014 and 2015, except for the goodwill impairment in 2014 and certain inefficient terminal transmission equipment and WLAN assets impairment in 2015. Details are set forth in note 14 and note 17 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Estimates and assumptions used in testing for recoverability require both judgment and estimation. Our policies regarding accounting for these assets and assessing their recoverability are set forth in note 2(j) to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Possible Impact of Amendments, New Standards, Interpretations And Disclosures Issued But Not Yet Effective For The Year Ended December 31, 2015

Up to the date of issue of our consolidated financial statements for the year ended December 31, 2015, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended December 31, 2015 and which have not been adopted by us.

Of these developments, the following relate to matters that may be relevant to our operations and consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendment to IFRS 11, "Joint Arrangements"	January 1, 2016
Amendment to IAS 16, "Property, Plant and Equipment"	January 1, 2016
Amendment to IAS 38, "Intangible Assets"	January 1, 2016
Amendment to IFRS 10, "Consolidated Financial Statements"	January 1, 2016
Amendment to IAS 28, "Investments in Associates and Joint Ventures"	*
Amendment to IAS 27, "Separate Financial Statements"	January 1, 2016
Annual Improvement to IFRSs 2012-2014 cycle	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 9 "Financial Instrument"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019

* The amendments were originally intended to be effective for annual periods beginning on or after January 1, 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

We are assessing the impact of these new standards and amendments to standards, and will adopt the relevant standards and amendments to standards in the subsequent periods as required.

In addition, the requirements of Part 9 “Accounts and Audit” of the Companies Ordinance came into operation from our first financial year commencing on or after March 3, 2014 in accordance with Section 358 of the Companies Ordinance. The adoption of the new Hong Kong Companies Ordinance does not have any significant impact on our consolidated financial statements for the year ending December 31, 2015 and only the presentation and the disclosure of certain information in our consolidated financial statements is affected.

Results of Operations

The following table sets forth selected consolidated statements of comprehensive income data for the years indicated:

	Year Ended December 31,		
	2013	2014	
	(As restated) ⁽¹⁾	(As restated) ⁽¹⁾	2015
	(in millions of RMB)		
Operating revenue ⁽²⁾ :			
Revenue from telecommunications services	600,424	591,602	584,089
Revenue from sales of products and others	39,624	59,907	84,246
Total	<u>640,048</u>	<u>651,509</u>	<u>668,335</u>
Operating expenses ⁽²⁾ :			
Leased lines and network assets	14,816	15,843	20,668
Interconnection	25,983	23,502	21,668
Depreciation	111,493	122,805	136,832
Employee benefit and related expenses ⁽³⁾	66,681	70,385	74,805
Selling expenses	91,719	75,655	59,850
Cost of products sold	61,409	74,495	89,297
Other operating expenses	136,523	151,504	162,293
Total	<u>508,624</u>	<u>534,189</u>	<u>565,413</u>
Profit from operations	131,424	117,320	102,922
Gain on the transfer of Tower Assets	—	—	15,525
Other gains	989	1,171	1,800
Interest income	15,368	16,270	15,852
Finance costs	(1,195)	(487)	(455)
Share of profit of investments accounted for using the equity method	7,063	8,248	8,090
Profit before taxation	153,649	142,522	143,734
Taxation	(36,746)	(33,179)	(35,079)
Profit for the year	<u>116,903</u>	<u>109,343</u>	<u>108,655</u>
Attributable to:			
Equity shareholders	116,791	109,218	108,539
Non-controlling interests	112	125	116
Profit for the year	<u>116,903</u>	<u>109,343</u>	<u>108,655</u>

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- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses which was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.
 - (2) Our operating revenue components are revenue from telecommunications services and revenue from sales of products and others. Revenue from telecommunications services consists of voice services revenue, data services revenue and other revenue from telecommunications services. Revenue from sales of products and others is mainly derived from sales of SIM cards and terminals as well as revenue from construction contracts.

On April 29, 2014, a notification (“Cai Shui [2014] No.43”) was jointly issued by the Ministry of Finance and the State Administration of Taxation, and as approved by the State Council of the PRC, the telecommunications industry would be included in the scope of the pilot program for the transformation from business tax to value-added tax (“VAT”) (the “VAT Program”) from June 1, 2014. According to the Cai Shui [2014] No.43, the VAT rates for the provision of basic telecommunications services and value-added telecommunications services are 11% and 6%, respectively. With the implementation of the VAT Program from June 1, 2014, the Group is not required to pay the business tax of 3% on the telecommunications services.

- (3) In accordance with requirements of reducing the proportion of labor sourced by third parties that provide services to the Group (“outsourcing labor”) among total labor under “Amendment to Labor Contract Law of the PRC” and its associated rules and regulations, we have made adjustment on the structure of employees and outsourcing labor. Such adjustment leads to the increase in number of employees and the decrease in number of outsourcing labor in 2015. In order to reasonably reflect the composition and fluctuation of employee benefit and related expenses, we presents employee benefit and related expenses by combining personnel expenses and labor service expenses, the latter of which was presented under other operating expenses prior to 2015. The comparative figures have been presented on the same basis.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Operating Revenue. Our operating revenue components are revenue from telecommunications services and revenue from sales of products and others. Revenue from telecommunications services primarily consists of voice services revenue and data services revenue. Voice services revenue mainly includes standard local usage fees for airtime and applicable domestic and international long distance charges receivable from customers for the use of our telecommunications networks and facilities, fees in respect of roaming out calls made by our customers outside their registered service areas and fees charged for voice value-added services. Data services revenue is mainly derived from SMS and MMS, wireless data traffic services, wireline broadband business and applications and information services. Other revenue from telecommunications services largely represents interconnection revenue. Revenue from sales of products and others is mainly derived from sales of SIM cards and terminals, as well as revenue from construction contracts. See note 1 to the table above.

Operating revenue increased by 2.6% from RMB651,509 million in 2014 to RMB668,335 million (US\$103,173 million) in 2015. This increase was primarily due to the growth in our data services and our terminal sales business.

Revenue from telecommunications services decreased by 1.3% from RMB591,602 million in 2014 to RMB584,089 million (US\$90,168 million) in 2015. Voice services revenue decreased by 16.5% from RMB313,476 million in 2014 to RMB261,896 million (US\$40,430 million) in 2015. This decrease was principally due to the substitution effect of Over The Top products, which resulted in a decrease in voice usage, and the implementation of VAT in the PRC. Our average voice services revenue per minute continued to reflect a downward trend from RMB0.072 in 2014 to RMB0.061 in 2015. With intensified market competition and further tariff decreases, our average voice services revenue per minute may continue to decline in future periods. In response to the downward trend in voice services revenue, we are providing reasonable tariff packages and undertaking sales and marketing activities. As a percentage of revenue from telecommunications services, voice services revenue decreased from 53.0% in 2014 to 44.8% in 2015.

Set forth below is a table summarizing certain results of our data business for the periods indicated.

	Year Ended December 31,	
	2014	2015
	(As restated) ⁽¹⁾	
	(Revenue, in millions of RMB)	
SMS and MMS	34,780	31,244
Wireless data traffic	153,926	200,857
of which: Mobile data traffic	150,571	198,270
Wireline broadband	16,204	18,339
Applications and information services	53,552	52,985
Data services revenue	258,462	303,425
Data services revenue as a percentage of revenue from telecommunications services	43.7%	52.0%

- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2014 have been made to reflect our acquisition of Target Assets and Businesses which was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

Data services revenue increased by 17.4% from RMB258,462 million in 2014 to RMB303,425 million (US\$46,841 million) in 2015, surpassing our voice services revenue for the first time. This increase was mainly due to our continued efforts to promote data traffic services operations, with a focus on the expansion of our 4G network capacity to continue to attract new customers and in response to the national policy of “speed upgrade and tariff reduction”, we offered discounts to our tariff plans and certain amount of free data usage to our customers during non-peak time and launched an unused data traffic carry-over program for our mobile monthly plans that are charged based on pre-determined data traffic, which had a negative impact over our data services revenue in 2015. The increase in our data service revenue was also partially offset by the negative effect of the implementation of VAT in the PRC telecommunications industry. Our data business includes wireless data traffic, wireline broadband, SMS and MMS, and applications and information services. Revenue generated from mobile data traffic, which has become a strong driver of revenue growth, grew by 31.7% to RMB198,270 million in 2015, as compared to RMB150,571 million in 2014, primarily due to the rapid development of the mobile Internet business, the increasing market penetration of smartphones by focusing on the sales of 4G terminals and the development of 4G services. The growth of our revenue from mobile data traffic in 2015 was partially offset by the same reasons reducing the growth of our data services revenue. Revenue generated from wireline broadband business grew by 13.2% to RMB18,339 million in 2015, as compared to RMB16,204 million in 2014. Revenue generated from SMS and MMS decreased by 10.2% from RMB34,780 million in 2014 to RMB31,244 million in 2015, as competition from Internet instant messaging applications continued to intensify, and SMS service volume decreased by 8.4% compared to the previous year. Revenue generated from applications and information services decreased by 1.1% to RMB52,985 million in 2015, as compared to RMB53,552 million in 2014. As a percentage of revenue from telecommunications services, data services revenue increased from 43.7% in 2014 to 52.0% in 2015.

Revenue from sales of products and others increased by 40.6% from RMB59,907 million in 2014 to RMB84,246 million (US\$13,005 million) in 2015 due to the increase in our sales of 4G terminals. The increase was partially offset by the negative effect of the implementation of VAT in the PRC telecommunications industry.

Operating Expenses. Operating expenses include leased lines and network assets, interconnection expenses, depreciation expenses relating to our telecommunications network and other property, plant and equipment, employee benefit and related expenses, selling expenses, cost of products sold and other operating expenses. Other operating expenses primarily consist of network maintenance expenses, operating lease charges, impairment loss of doubtful accounts, assets written off and other miscellaneous expenses.

Operating expenses increased by 5.8% from RMB534,189 million in 2014 to RMB565,413 million (US\$87,285 million) in 2015. The increase was due to the increases in the sales of our devices, investments and the expansion of asset scale resulting in increases in depreciation expenses and maintenance fees and other operating expenses and the usage fees payable to China Tower for telecommunications towers. The increase in our operating expenses is partially offset by the input VAT credits we were entitled to as a result of the implementation of VAT in the PRC telecommunications industry.

Leased lines and network assets expenses increased by 30.5% from RMB15,843 million to RMB20,668 million (US\$3,191 million) in 2015. The increase was mainly because we accrued usage fees to China Tower in an amount of RMB5.6 billion in respect of existing telecommunications towers for November and December 2015 and the new telecommunications towers from the date of delivery. As a percentage of operating expenses, leased lines and network assets expenses increased from 3.0% in 2014 to 3.7% in 2015.

Interconnection expenses decreased by 7.8% from RMB23,502 million in 2014 to RMB21,668 million (US\$3,345 million) in 2015, primarily due to a decrease in voice, SMS and MMS usage, which resulted in a decrease in settlement expenses for voice, SMS and MMS services. Interconnection expenses as a percentage of operating expenses decreased from 4.4% in 2014 to 3.8% in 2015.

Depreciation expenses increased by 11.4% from RMB122,805 million in 2014 to RMB136,832 million (US\$21,123 million) in 2015. The increase was mainly due to the expansion in our network assets, which is in turn due to large-scale capital expenditure undertaken by us for the purpose of building and expanding our 4G network as part of our strategic transformation. As a percentage of operating expenses, depreciation expenses increased from 23.0% in 2014 to 24.2% in 2015.

Employee benefit and related expenses increased by 6.3% from RMB70,385 million in 2014 to RMB74,805 million (US\$11,548 million) in 2015. This increase was primarily due to the rise in social insurance expenses, slight increase of employee compensation and the implementation of our enterprise annuity system. As a percentage of operating expenses, employee benefit and related expenses remained stable at 13.2% from 2014 to 2015.

Selling expenses decreased by 20.9% from RMB75,655 million in 2014 to RMB59,850 million (US\$9,239 million) in 2015. This decrease was principally the result of our deepened transformation of marketing mode, optimized structure of our selling expenses, marketization of terminal sales we promoted, our accelerated transformation of social channels, our enhancing the concentration of advertising and utilizing big data for precise marketing, thereby boosting our marketing efficiency significantly. As a percentage of operating expenses, selling expenses decreased from 14.2% in 2014 to 10.6% in 2015.

Cost of products sold increased by 19.9% from RMB74,495 million in 2014 to RMB89,297 million (US\$13,785 million) in 2015. This increase was generally in line with the increase in sales of devices, especially TD-LTE smartphones. As a percentage of operating expenses, cost of products sold increased from 13.9% in 2014 to 15.8% in 2015.

Other operating expenses increased by 7.1% from RMB151,504 million in 2014 to RMB162,293 million (US\$25,054 million) in 2015. As a percentage of operating expenses, other operating expenses increased from 28.3% in 2014 to 28.7% in 2015. This increase was primarily due to the increase in maintenance expenses and the provision for impairment of certain inefficient terminal transmission equipment and WLAN assets, which was partially offset by the decrease in our administrative expenses such as conference and travelling expenses. For more information on our other operating expenses, see note 6 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit from Operations. As a result of the foregoing, profit from operations decreased by 12.3% from RMB117,320 million in 2014 to RMB102,922 million (US\$15,888 million) in 2015, and operating margin (profit from operations as a percentage of operating revenue) decreased from 18.0% in 2014 to 15.4% in 2015.

Gain on the Transfer of Tower Assets. In 2015, we realized a gain of RMB15,525 million (US\$2,397 million) on the transfer of telecommunication towers and related assets to China Tower.

Other Gains. Other gains increased by 53.7% from RMB1,171 million in 2014 to RMB1,800 million (US\$278 million) in 2015, principally due to an increase in others from RMB656 million in 2014 to RMB1,131 million in 2015 as a result of the VAT refund of high and new technologies businesses received by certain of our subsidiaries.

Interest Income. Interest income decreased by 2.6% from RMB16,270 million in 2014 to RMB15,852 million (US\$2,447 million) in 2015, mainly because the benchmark deposit rates were reduced by PBOC and the average bank and cash balance during the year decreased compared to the previous year.

Finance Costs. Finance costs decreased by 6.6% from RMB487 million in 2014 to RMB455 million (US\$70 million) in 2015. This decrease was mainly due to a decrease in interest on bonds as the bonds issued by China TieTong with a principal amount of RMB1,000 million was repaid in 2015 and a decrease in interest on entrusted loans as we repaid certain amount of entrusted loans from CMCC.

Share of Profit of Investments Accounted for Using the Equity Method. We had a share of profit of investments accounted for using the equity method of RMB8,090 million (US\$1,249 million) in 2015, which was primarily attributable to our shareholding in SPD Bank, compared to RMB8,248 million in 2014. For more information on our share of profit of investments accounted for using equity method, see note 19 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit before Taxation. As a result of the foregoing, profit before tax increased by 0.9% from RMB142,522 million in 2014 to RMB143,734 million (US\$22,189 million) in 2015.

Taxation. Our income tax expense increased by 5.7% from RMB33,179 million in 2014 to RMB35,079 million (US\$5,415 million) in 2015. This increase was due to an increase in taxable income. Our effective tax rate was 23.3% in 2014 and 24.4% in 2015, respectively.

Profit Attributable to Equity Shareholders. As a result of the foregoing and after taking into account non-controlling interests, profit attributable to equity shareholders decreased by 0.6% from RMB109,218 million in 2014 to RMB108,539 million (US\$16,756 million) in 2015. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 16.8% in 2014 to 16.2% in 2015.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Operating Revenue. Operating revenue increased by 1.8% from RMB640,048 million in 2013 to RMB651,509 million in 2014. This increase was primarily due to the growth in our data services and our terminal sales business.

Revenue from telecommunications services decreased by 1.5% from RMB600,424 million in 2013 to RMB591,602 million in 2014. Voice services revenue decreased by 13.0% from RMB360,425 in 2013 to RMB313,476 million in 2014. This decrease was principally due to the substitution effect of Over The Top products, which resulted in a decrease in voice usage for the first time, and the implementation of VAT in the PRC. Our average voice services revenue per minute continued to reflect a downward trend from RMB0.082 in 2013 to RMB0.072 in 2014. With intensified market competition and further tariff decreases, our average voice services revenue per minute may continue to decline in future periods. In response to the downward trend in voice services revenue, we are providing reasonable tariff packages and undertaking sales and marketing activities. As a percentage of revenue from telecommunications services, voice services revenue decreased from 60.0% in 2013 to 53.0% in 2014.

Set forth below is a table summarizing certain results of our data business for the periods indicated.

	Year Ended December 31,	
	2013 (As restated) ⁽¹⁾	2014 (As restated) ⁽¹⁾
	(Revenue, in millions of RMB)	
SMS and MMS	41,321	34,780
Wireless data traffic	108,239	153,926
of which: Mobile data traffic	105,373	150,571
Wireline broadband	12,089	16,204
Applications and information services	50,324	53,552
Data services revenue	211,973	258,462
Data services revenue as a percentage of revenue from telecommunications services	35.3%	43.7%

- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses which was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

Data services revenue increased by 21.9% from RMB211,973 million in 2013 to RMB258,462 million in 2014. This increase was mainly due to our continued efforts to promote data traffic services operations, with a focus on the expansion of our 4G network capacity. Our data business includes wireless data traffic, wireline broadband services, SMS and MMS, and applications and information services. Revenue generated from mobile data traffic, which has become a strong driver of revenue growth, grew by 42.9% to RMB150,571 million in 2014, as compared to RMB105,373 million in 2013, primarily due to the rapid development of the mobile Internet business, the increasing market penetration of smartphones by focusing on the sales of 4G terminals and the development of 4G services. Revenue generated from SMS and MMS decreased by 15.8% from RMB41,321 million in 2013 to RMB34,780 million in 2014, as competition from Internet instant messaging applications continued to intensify, and SMS service volume decreased by 16.7% compared to the previous year. Growth of applications and information services, in particular “and-Reading”, “and-Video”, “and-Game”, and “and-Animation”, was favorable. Revenue generated from applications and information services increased by 6.4% to RMB53,552 million in 2014, as compared to RMB50,324 million in 2013. As a percentage of revenue from telecommunications services, data services revenue increased from 35.3% in 2013 to 43.7% in 2014. We expect our data services revenue, in particular revenue generated from wireless data traffic business, to continue to grow in 2015.

Revenue from sales of products and others increased by 51.2% from RMB39,624 million in 2013 to RMB59,907 million in 2014. This increase was primarily due to our efforts to increase the sales of terminals, since the long-term development of the TD terminal supply chain has considerable potential to drive data traffic growth.

Operating Expenses. Operating expenses include leased lines and network assets expenses, interconnection expenses, depreciation expenses relating to our telecommunications network and other property, plant and equipment, employee benefit and related expenses, selling expenses, cost of products sold and other operating expenses. Other operating expenses primarily consist of network maintenance expenses, operating lease charges, impairment loss of doubtful accounts, assets written off and other miscellaneous expenses.

Operating expenses increased by 5.0% from RMB508,624 million in 2013 to RMB534,189 million in 2014. The increase was due to the growth in the sales of our terminals and an increase in investments and the expansion of asset scale resulting in increases in depreciation expenses and maintenance fees.

Leased lines and network assets expenses increased by 6.9% from RMB14,816 million to RMB15,843 million in 2014. The increase was a result of (i) an increase in TD-SCDMA network capacity leasing fees, due to an increase in TD-SCDMA network utilization rate and expansion in the asset scale relating to the TD-SCDMA network and (ii) our payment of the leasing fees to CMCC for the “Village Connect” assets constructed before 2013. As a percentage of operating expenses, leased lines and network assets expenses increased from 2.9% in 2013 to 3.0% in 2014.

Interconnection expenses decreased by 9.5% from RMB25,983 million in 2013 to RMB23,502 million in 2014, primarily due to a decrease in SMS and MMS settlement expenses to other operators as a result of adjustments in the interconnection settlement standards. Interconnection expenses as a percentage of operating expenses decreased from 5.1% in 2013 to 4.4% in 2014.

Depreciation expenses increased by 10.1% from RMB111,493 million in 2013 to RMB122,805 million in 2014. The increase was mainly due to the expansion in our network assets, which is in turn due to large-scale capital expenditure undertaken by us for the purpose of building and expanding our 4G network as part of our strategic transformation. As a percentage of operating expenses, depreciation expenses increased from 21.9% in 2013 to 23.0% in 2014.

Employee benefit and related expenses increased by 5.6% from RMB66,681 million in 2013 to RMB70,385 million in 2014. This increase was primarily due to an increase in headcount and social insurance costs. The total number of our personnel increased due to the need to support 4G network construction and the transformation of our development, as well as adjustment of employment structure in accordance with the requirements of relevant laws, rules and regulations. As a percentage of operating expenses, employee benefit and related expenses was 13.1% and 13.2% in 2013 and 2014, respectively.

Selling expenses decreased by 17.5% from RMB91,719 million in 2013 to RMB75,655 million in 2014. This decrease was principally the result of our decision to optimize our marketing and sales model. As a percentage of operating expenses, selling expenses decreased from 18.0% in 2013 to 14.2% in 2014.

Cost of products sold increased by 21.3% from RMB61,409 million in 2013 to RMB74,495 million in 2014. This increase was mainly due to our efforts to increase the sales of devices, especially TD-LTE smartphones, resulting in a corresponding increase in the costs of goods sold. As a percentage of operating expenses, cost of products sold increased from 12.1% in 2013 to 13.9% in 2014.

Other operating expenses increased by 11.0% from RMB136,523 million in 2013 to RMB151,504 million in 2014. As a percentage of operating expenses, other operating expenses increased from 26.9% in 2013 to 28.3% in 2014. This increase was primarily due to an increase in network maintenance and other related expenses attributable to the expansion in our network assets. The increase in other operating expenses was partially offset by a decrease in conference and travelling expenses due to the implementation of controls over administrative expenses. For more information on our other operating expenses, see note 6 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit from Operations. As a result of the foregoing, profit from operations decreased by 10.7% from RMB131,424 million in 2013 to RMB117,320 million in 2014, and operating margin (profit from operations as a percentage of operating revenue) decreased from 20.5% in 2013 to 18.0% in 2014.

Other Gains. Other gains increased by 18.4% from RMB989 million in 2013 to RMB1,171 million in 2014, principally due to an increase in penalty income from RMB411 million in 2013 to RMB515 million in 2014.

Interest Income. Interest income increased by 5.9% from RMB15,368 million in 2013 to RMB16,270 million in 2014, mainly because the average bank and cash balance during the year increased compared to the previous year and the average yield of our bank deposits increased due to the optimization of the composition of our bank deposits.

Finance Costs. Finance costs decreased by 59.2% from RMB1,195 million in 2013 to RMB487 million in 2014. This decrease was because in 2014 there was no longer an outstanding balance for the deferred consideration payable in connection with the acquisition of our subsidiaries in 2002 and 2004 and certain repayment of entrusted loans granted by CMCC to China TieTong.

Share of Profit of Investments accounted for Using the Equity Method. We had a share of profit of investments accounted for using the equity method of RMB8,248 million in 2014, which was primarily attributable to our shareholding in SPD Bank, compared to RMB7,063 million in 2013. For more information on our share of profit of investments accounted for using the equity method, see note 19 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

Profit before Taxation. As a result of the foregoing, profit before tax decreased by 7.2% from RMB153,649 million in 2013 to RMB142,522 million in 2014.

Taxation. Our income tax expense decreased by 9.7% from RMB36,746 million in 2013 to RMB33,179 million in 2014. This decrease was due to a decrease in taxable income. Our effective tax rate was 23.9% in 2013 and 23.3% in 2014, respectively.

Profit Attributable to Equity Shareholders. As a result of the foregoing and after taking into account non-controlling interests, profit attributable to equity shareholders decreased by 6.5% from RMB116,791 million in 2013 to RMB109,218 million in 2014. Net profit margin (profit attributable to equity shareholders as a percentage of operating revenue) decreased from 18.2% in 2013 to 16.8% in 2014.

Liquidity and Capital Resources

Liquidity

Our principal source of liquidity is cash generated from our operations. As of December 31, 2015, we had negative working capital (current assets minus current liabilities) of RMB12,341 million (US\$1,905 million), compared to working capital of RMB34,433 million as of December 31, 2014 and working capital of RMB80,009 million as of December 31, 2013. We had negative working capital as of December 31, 2015 primarily due to the decrease in bank deposits and the increases in accrued expenses and other payables and accounts payable, which were partially offset by the increases in available-for-sale financial assets and other receivables. The current portion of our finance lease obligations as of December 31, 2013, 2014 and 2015 were RMB68 million, RMB68 million and nil, respectively.

Bank deposits represent term deposits with banks with original maturity exceeding three months. As of December 31, 2015, we had bank deposits of RMB323,330 million (US\$49,914 million), compared to bank deposits of RMB353,507 million as of December 31, 2014 and bank deposits of RMB375,127 million as of December 31, 2013. The decrease of bank deposits in 2014 was mainly due to substantial capital expenditures resulting from the development of our 4G services, while the decrease of bank deposits in 2015 was mainly because of the consideration we paid for acquiring Target Assets and Businesses.

The following table summarizes certain cash flow information for the periods indicated.

	Year ended December 31,		
	2013 (As restated) ⁽¹⁾	2014 (As restated) ⁽¹⁾ (in millions of RMB)	2015
Net cash generated from operating activities	226,905	216,438	235,089
Net cash used in investing activities	(180,122)	(151,230)	(142,743)
Net cash used in financing activities	(71,312)	(42,530)	(86,510)
Net increase / (decrease) in cash and cash equivalents	(24,529)	22,678	5,836

- (1) As described in Note 2(b) to our consolidated financial statements, certain restatements to periods in 2013 and 2014 have been made to reflect our acquisition of Target Assets and Businesses which was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the HKICPA.

Net cash generated from operating activities increased by 8.6% from RMB216,438 million in 2014 to RMB235,089 million (US\$36,291 million) in 2015, which is in line with the increases in our profit before taxation excluding depreciation and amortization, a larger increase in our deferred revenue and a larger increase in accrued expenses and other payables and a decrease in prepayments and other current assets, compared to an increase in 2014, which was partially offset by a decrease in account payable compared to an increase in account payable in 2014.

Net cash generated from operating activities decreased by 4.6% from RMB226,905 million in 2013 to RMB216,438 million in 2014, which is in line with the decrease in our profit from operations excluding depreciation and amortization, a decrease in the increase in accrued expenses and other payables, and an increase in the increase in prepayments and other current assets.

Net cash used in investing activities decreased by 5.6% from RMB151,230 million in 2014 to RMB142,743 million (US\$22,036 million) in 2015, primarily due to a decrease in payment for investment accounted for using the equity method, a larger decrease in bank deposits, an increase in maturity of available-for-sale financial assets and a decrease in restricted bank deposits compared to an increase in restricted bank deposits in 2014, which was partially offset by an increase in our purchase of available-for-sale financial assets.

Net cash used in investing activities decreased by 16.0% from RMB180,122 million in 2013 to RMB151,230 million in 2014, primarily because there was a decrease in bank deposits in 2014 compared to an increase in bank deposits in 2013, which was partially offset by an increase in capital expenditure resulting from the development of our 4G services.

Net cash used in financing activities increased by 103.4% from RMB42,530 million in 2014 to RMB86,510 million (US\$13,355 million) in 2015. The larger amount of cash used in financing activities in 2015 compared to 2014 was mainly attributable to our payment of consideration for the acquisition of Target Assets and Businesses of China TieTong and the increase of repayment of entrusted loans.

Net cash used in financing activities decreased by 40.4% from RMB71,312 million in 2013 to RMB42,530 million in 2014. The larger amount of cash used in financing activities in 2013 compared to 2014 was mainly attributable to our repayment of deferred considerations in full in 2013.

Capital Expenditures

Capital expenditures incurred in 2013, 2014 and 2015 were RMB190,596 million, RMB215,097 million and RMB195,577 million (US\$30,192 million), respectively. We incurred capital expenditures principally for the construction of mobile communication networks, transmission facilities, buildings, infrastructure and power systems, business networks, support systems and others. The level of our capital expenditures decreased in 2015 principally because we appropriately controlled the investment schedules and optimized the investment directions to ensure the effectiveness of our investments.

We estimate that we will incur capital expenditures of approximately RMB186.2 billion (US\$28.7 billion) in 2016. We expect that approximately 43% of our capital expenditures in 2016 will be used in the construction of mobile communications networks, approximately 30% will be used in the construction of transmission facilities, approximately 12% will be used for the construction of buildings, infrastructure and power systems, approximately 7% will be used for the construction of business networks, approximately 5% will be used for the construction of support systems, and approximately 3% will be used for other construction.

We have generally funded our capital requirements primarily with cash generated from operations. We believe our available cash and cash generated from future operations will be sufficient to fund the capital expenditures and working capital necessary for the planned network expansion and continued growth of our mobile operations through the end of 2016.

We may seek to obtain additional sources of financing to fund our network expansion and possible future acquisitions, to the extent necessary.

Contractual Obligations and Commitments

Indebtedness

As of December 31, 2014 and 2015, our indebtedness mainly included the current portion of our finance lease obligations of RMB68 million and nil and corporate bonds of RMB5,992 million and RMB4,995 million as described below, respectively.

On October 28, 2002, our wholly-owned subsidiary, Guangdong Mobile, issued RMB5,000 million guaranteed bonds due 2017, with the entire net proceeds used to settle part of the deferred consideration for our acquisition of eight regional mobile companies in China from CMCC. These bonds commenced trading on the Shanghai Stock Exchange on January 22, 2003. The guaranteed bonds bear fixed interest of 4.5%, payable annually. We have issued a joint and irrevocable guarantee for the performance of these bonds, and CMCC has issued a further guarantee in relation to the performance by us of our guarantee obligation. These bonds received a consolidated credit rating of “AAA” by China Chengxin International Credit Rating Company Limited and a consolidated credit rating of “AAA” by Dagong Global Credit Rating Co. Ltd, a PRC credit rating agency.

On August 18, 2005, China TieTong issued the bonds with a principal amount of RMB1,000 million, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at rate of 4.6% per annum which is payable annually. The bonds were fully repaid on August 18, 2015.

We currently have a corporate credit rating of Aa3/Outlook Negative from Moody’s and AA-/Outlook Negative from Standard & Poor’s, which remain at levels equivalent to China’s sovereign credit rating, respectively. Any downgrade in our credit rating will not trigger any events of default on our outstanding bonds or loans or our existing credit facilities.

For a discussion of our interest rate risk, please see “Item 11. Quantitative and Qualitative Disclosures About Market Risk.”

Other Contractual Obligations and Commitments

As of December 31, 2015, we had various contractual obligations and commitments which are more fully disclosed in the notes to our consolidated financial statements. The principal components of these obligations and commitments include:

- our short-term and long-term debts (in addition to the bonds described under “— Indebtedness” above), which includes finance leases;
- operating leases; and
- capital commitments.

In the ordinary course of our business, we routinely enter into commercial commitments for various aspects of our operations, such as repair and maintenance. However, we believe that those commitments will not have a material effect on our financial condition, results of operations or cash flows.

For further disclosure regarding leases and other commitments, please see note 38 to our consolidated financial statements included elsewhere in this annual report on Form 20-F.

The following table sets forth certain information regarding our contractual obligations to make future payments (including relevant estimated interest payment) as of December 31, 2015:

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
		(in millions of RMB)			
Accounts Payable	243,579	243,579	—	—	—
Bills Payable	645	645	—	—	—
Accrued Expenses and Other Payables	163,404	163,404	—	—	—
Amount Due to Ultimate Holding Company	7,339	7,339	—	—	—
Bonds	5,410	225	5,185	—	—
Finance Lease Obligations	—	—	—	—	—
Total Contractual Obligations	420,377	415,192	5,185	—	—

The following table sets forth certain information regarding our other commercial commitments as of December 31, 2015:

Other Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total Amount Committed	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
		(in millions of RMB)			
Operating Lease Commitments	60,740	25,758	16,535	10,333	8,114
Capital Commitments	34,666	29,159	5,507	—	—
Total Commercial Commitments	95,406	54,917	22,042	10,333	8,114

Apart from the commitments listed above, as of December 31, 2015, the company has a commitment to invest RMB1,140 million to China Mobile Fund upon its request.

Off-Balance Sheet Arrangements

As of December 31, 2015, we did not have any off-balance sheet arrangements or any written options on non-financial assets.

Foreign Exchange

We maintain our accounts in Renminbi and substantially all of our revenue and expenses are denominated in Renminbi. Most of our current operating subsidiaries are incorporated in Mainland China. Under the current foreign exchange system in Mainland China, our subsidiaries in Mainland China may not be able to hedge effectively against currency risk, including any possible future Renminbi devaluation. See “Item 10. Additional Information — Exchange Controls.”

Each of our operating subsidiaries in Mainland China is able to purchase foreign exchange for settlement of current account transactions, as defined in applicable regulations, in order to satisfy its foreign exchange requirements.

Item 6. Directors, Senior Management and Employees.

Directors and Senior Management

The following table sets forth certain information concerning our directors and senior management as of April 26, 2016.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Mr. SHANG Bing	60	Executive Director and Chairman
Mr. LI Yue	56	Executive Director and Chief Executive Officer
Mr. XUE Taohai	59	Executive Director, Vice President and Chief Financial Officer
Mr. SHA Yuejia	58	Executive Director and Vice President
Mr. LIU Aili	52	Executive Director and Vice President
Dr. LO Ka Shui	69	Independent Non-Executive Director
Mr. Frank K.S. WONG	68	Independent Non-Executive Director
Dr. Moses M.C. CHENG	66	Independent Non-Executive Director
Mr. Paul M.Y. CHOW	69	Independent Non-Executive Director

Mr. SHANG Bing has served as our Executive Director and Chairman since September 2015. He is in charge of our overall management. Mr. Shang is also the Chairman of CMCC and CMC. Mr. Shang previously served as a Director of Industrial Technology Development Centre in Liaoning Province, a General Manager of Economic and Technological Development Company in Liaoning Province, a General Manager of China United Telecommunications Corporation Liaoning Branch, a Director, Vice President and President of China United Telecommunications Corporation, an Executive Director and President of China United Telecommunications Corporation Limited and China Unicom Limited, a Vice President of China Telecom, an Executive Director, President and Chief Operating Officer of China Telecom Corporation Limited and the Vice Minister of the MIIT. Mr. Shang graduated from Shenyang Chemical Industry Institution with a Bachelor's degree in 1982. He received a Master's degree in business administration from the State University of New York in 2002 and a Doctor's degree in business administration from the Hong Kong Polytechnic University in 2005. Mr. Shang is a senior economist and has long-term experience in the operations and management in basic telecommunications enterprises, with extensive experience in enterprise management and telecommunications industry.

Mr. LI Yue has served as our Executive Director since March 2003 and our Chief Executive Officer since August 2010. He is in charge of our operations and management. Mr. Li is also the President and director of CMCC and CMC. Mr. Li previously served as Deputy Director General and Chief Engineer of Tianjin Long-Distance Telecommunications Bureau, Deputy Director General of Tianjin Posts and Telecommunications Administration, President of Tianjin Mobile Communications Company, Deputy Head of the Preparatory Team of CMCC, Vice President of CMCC, Chairman of Aspire Holdings Limited, a non-executive director of Phoenix Satellite Television Holdings Ltd and Chairman of Union Mobile Pay Limited. Mr. Li graduated from the Correspondence College of Beijing University of Posts and Telecommunications with a Bachelor's Degree in telephone exchange, holds a Master's Degree in business administration from Tianjin University and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer and has won multiple national, provincial and ministerial level Science and Technology Advancement Awards. Mr. Li has many years of experience in the telecommunications industry, including experience in telecommunications network operations and maintenance, planning and construction, operational management and development strategies.

Mr. XUE Taohai has served as our Executive Director, Vice President and Chief Financial Officer since July 2002. Mr. Xue is principally in charge of our corporate affairs, finance and internal audit. Mr. Xue is also a Vice President of CMCC, a director of CMC and a director and Chairman of China Mobile Finance. Mr. Xue previously served as the Deputy Director General of the Finance Department of the former Ministry of Posts and Telecommunications, Deputy Director General of the Department of Financial Adjustment and Clearance of the Ministry of Information Industry (predecessor of the MIIT) and Deputy Director General of the former Directorate General of Telecommunications. He graduated from Henan University and received an EMBA degree from Peking University. He is a senior accountant with many years of experience in the telecommunications industry and financial management.

Mr. SHA Yuejia has served as our Executive Director and Vice President since March 2006. Mr. Sha is principally in charge of marketing, data business, corporate customers and international businesses. He is also a Vice President of CMCC, a director of CMC and a non-executive director of PhoenixTV and SPD Bank. He previously served as Director of the Engineering Construction Department IV Division of Beijing Telecommunications Administration, President of Beijing Telecommunications Planning Design Institute, Deputy Director General of Beijing Telecommunications Administration, Vice President of Beijing Mobile Communications Company, Chairman and President of Beijing Mobile. Mr. Sha graduated from Beijing University of Posts and Telecommunications, and received a Master's Degree from the Academy of Posts and Telecommunications of the former Ministry of Posts and Telecommunications and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

Mr. LIU Aili has served as our Executive Director and Vice President since March 2006. Mr. Liu is principally in charge of planning and construction, network operations and business support. He is also a Vice President of CMCC and a director of CMC and a Vice President of China Internet Infrastructure Resources Association. Mr. Liu was appointed as the Chairman of China Tower with effect from July 11, 2014. He previously served as Deputy Director General of Shandong Mobile Telecommunications Administration, Director General of Shandong Mobile Telecommunications Administration and General Manager of Shandong Mobile Communications Enterprises, Vice President of Shandong Mobile Communications Company, Director-General of Network Department of CMCC, Chairman and President of China Mobile Group Shandong Co., Ltd. and Zhejiang Mobile, Chairman of CMPak Limited and a non-executive director of China Communications Services Corporation Limited. Mr. Liu graduated from Heilongjiang Posts and Telecommunications School with an associate degree. Mr. Liu also received a Master of Management degree from Norwegian School of Management BI and a doctoral degree in business administration from Hong Kong Polytechnic University. He is a professor-level senior engineer with many years of experience in the telecommunications industry.

Dr. LO Ka Shui has served as our independent Non-Executive Director since April 2001. Dr. Lo is the Chairman and Managing Director of Great Eagle Holdings Limited, and the chairman and non-executive director of the Manager of the publicly listed Champion Real Estate Investment Trust and Langham Hospitality Investments. He is also an independent non-executive director of Shanghai Industrial Holdings Limited, Phoenix Satellite Television Holdings Limited and City e-Solutions Limited. He is a Vice President of the Real Estate Developers Association of Hong Kong, a Trustee of the Hong Kong Centre for Economic Research, the Vice Chairman of The Chamber of Hong Kong Listed Companies and a member of the Exchange Fund Advisory Committee of the Hong Kong Monetary Authority. Dr. Lo graduated from McGill University with a Bachelor of Science Degree and from Cornell University with a Doctor of Medicine (M.D.) Degree. He was certified in internal medicine and cardiology. He has over three decades of experience in property and hotel development and investment both in Hong Kong and overseas.

Mr. Frank K.S. WONG has served as our independent Non-Executive Director since August 2002. Mr. Wong currently serves as the Chairman and independent non-executive director of Mapletree Greater China Commercial Trust Management Ltd., a non-executive director of PSA International Pte Ltd, and PSA Corporation Limited in Singapore. Mr. Wong previously served as Vice Chairman of DBS Bank, a member of the boards of DBS Bank and DBS Group Holdings and Chairman of DBS Bank (Hong Kong) and DBS Bank (China). He held a series of progressively senior positions at Citibank, JP Morgan and NatWest. More recently, he was an independent non-executive director of Industrial and Commercial Bank of China Limited in China, Mapletree Investment Pte Ltd and National Healthcare Group Pte Ltd in Singapore. Mr. Wong has also served in various positions with Hong Kong's government bodies including the Chairman of the Hong Kong Futures Exchange between 1993 and 1998 and a member of the Financial Services Development Council of the Hong Kong SAR Government between 2013 and 2015. Mr. Wong has many years of finance and commercial management experience.

Dr. Moses M.C. CHENG has served as our independent Non-Executive Director since March 2003. Dr. Cheng is a practising solicitor and a consultant of Messrs. P.C. Woo & Co after serving as its senior partner from 1994 to 2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng currently holds directorships in Liu Chong Hing Investment Limited, China Resources Beer (Holdings) Company, Limited, Towngas China Company Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Guangdong Investment Limited and Tian An China Investments Company Limited, all of which are publicly-listed companies in Hong Kong. He is also an independent non-executive director of ARA Asset Management Limited, a company with shares listed on the Singapore Exchange Limited. His other directorships in publicly-listed companies in the last three years include Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited).

Mr. Paul M.Y. CHOW has served as our independent Non-Executive Director since May 2013. Mr. Chow currently serves as the Chairman of Hong Kong Cyberport Management Company Limited, a member of the Advisory Committee on Innovation and Technology of the Government of the Hong Kong Special Administrative Region, a member of the Asian Advisory Council of AustralianSuper, an independent non-executive director of Bank of China Limited, an independent non-executive director of Julius Baer Group Ltd. and Bank Julius Baer & Co Ltd. and an independent non-executive director of CITIC Limited. Mr. Chow previously served as an executive director and Chief Executive of Hong Kong Exchanges and Clearing Limited from April 2003 to January 2010, and as the Chief Executive of the Asia Pacific Region (ex-Japan) of HSBC Asset Management (Hong Kong) Limited from 1997 to 2003.

Compensation

The amount of compensation that we paid to our executive directors for their services in 2015 was approximately RMB2.88 million (US\$0.44 million). The amount of compensation that we paid to our independent non-executive directors for their services in 2015, was approximately HK\$1.57 million (US\$0.20 million).

We adopted a share option scheme on October 8, 1997, or the 1997 Scheme, pursuant to which our directors may, at their discretion, invite our employees, including executive directors, or employees of our subsidiaries, to take up options to subscribe for ordinary shares up to a maximum aggregate number of ordinary shares equal to 10% of our total issued share capital.

Pursuant to a resolution passed at the annual general meeting held on June 24, 2002, a share option scheme, or the 2002 Scheme, was implemented for a term of ten years commencing on June 24, 2002. Under the 2002 Scheme, the board of directors may, at their discretion, invite the executive directors, non-executive directors and employees of our company, any of its holding companies and their respective subsidiaries, and any entity in which our company or any of its subsidiaries holds any equity interest to take up options to subscribe for shares in our company. The 2002 Scheme ceased to be effective from June 24, 2012 and no further options were granted under the 2002 Scheme thereafter. The 2002 Scheme will remain in effect to the extent necessary to give effect to the exercise of any options granted prior to June 24, 2012 and which at that time or thereafter become capable of being exercised under the 2002 Scheme or otherwise to the extent as may be required in accordance with the 2002 Scheme. As of December 31, 2015, there were no ordinary shares which may be issued on the exercise of the outstanding options granted under the 2002 Scheme.

The maximum aggregate number of ordinary shares which can be subscribed pursuant to options that are or may be granted under the above schemes equals to 10% of the total issued share capital of our company as of the date of adoption of the 2002 Scheme. Options lapsed or cancelled will not be counted for the purpose of calculating this 10% limit.

The consideration payable for the grant of option under the 2002 Scheme is HK\$1.00.

The exercise price of the options granted under the 2002 Scheme is determined by our board of directors at its discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of an ordinary share;
- (ii) the closing price of the ordinary shares on the Hong Kong Stock Exchange on the date on which the option was granted; and
- (iii) the average closing price of the ordinary shares on the Hong Kong Stock Exchange for the five trading days immediately preceding the date on which the option was granted.

Under the 2002 Scheme, the term of the option is determined by the board of directors at its discretion, provided that all options shall be exercised within ten years after the date on which the option is granted.

As of December 31, 2015, there were no outstanding options exercisable to subscribe for shares of our company granted to our directors and members of our senior management under our share option scheme. In 2015, 37,056,383 of these options had been exercised. See “— Share Ownership” below for details on options granted to our directors.

Board Practices

To enhance our corporate governance, we have three principal board committees, the audit committee, the remuneration committee and the nomination committee. The audit committee, the remuneration committee and the nomination committee are all comprised solely of independent non-executive directors.

Audit Committee

The members of our audit committee are Mr. Frank K.S. Wong, as chairman of the committee, Dr. Moses M.C. Cheng and Mr. Paul M.Y. Chow. The audit committee's major responsibilities include:

- to review the financial reports, the related report of the independent registered public accounting firm and management's responses to the reports;
- to discuss the audit procedures with the independent registered public accounting firm as well as any issues arising out of such procedures;
- to review the appointment of the independent registered public accounting firm, the audit and non-audit fees and any matters relating to the termination or resignation of the independent registered public accounting firm; and
- to examine the effectiveness of our internal controls, to review our internal audit plan and to submit relevant reports and recommendations to our Board on a regular basis.

The audit committee usually meets five times each year.

Remuneration Committee

The members of our remuneration committee are Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Dr. Moses M.C. Cheng. The remuneration committee's major responsibilities include:

- to advise the Board in relation to the remuneration structure and payments of our executive directors and executives; and
- to represent the Board in confirming the individual remuneration packages and employment terms of executive directors and approving their related employment contracts.

Meetings of the remuneration committee are held at least once a year.

Nomination Committee

The members of our nomination committee are Dr. Lo Ka Shui, as chairman of the committee, Mr. Frank K.S. Wong and Dr. Moses M.C. Cheng. The primary responsibilities of the nomination committee include:

- to review, advise and make recommendations to the board on the matters in relation to the appointment and re-appointment of board members; and
- to ensure the proper and transparent procedures for the appointment and re-appointment of directors.

Meetings of the nomination committee are held at least once a year.

Employees

See "Item 4. Information on the Company — Business Overview — Employees."

Share Ownership

As of December 31, 2015, our directors who own shares in our company are listed as follows:

<u>Director</u>	<u>Number of shares held</u>	<u>Percentage of ordinary shares</u>
Lo Ka Shui	700,000*	0.0034%
Frank K.S. Wong	150,000	0.0007%
Moses M.C. Cheng	400,000	0.0020%

* Including interest of controlled corporation.

Under our Articles of Association, our directors and senior management do not have different voting rights when compared to other holders of shares in the same class.

As of December 31, 2015, there were no outstanding options exercisable to subscribe for shares in our Company granted to our directors and members of our senior management under our share option scheme.

Item 7. Major Shareholders and Related Party Transactions.

Major Shareholders

As of March 31, 2016, approximately 72.72% of our outstanding shares were held by China Mobile Hong Kong (BVI) Limited, a wholly-owned subsidiary of China Mobile (Hong Kong) Group Limited. CMCC, a state-owned company, holds all of the voting shares and economic interest in China Mobile (Hong Kong) Group Limited. No other persons own 5% or more of our ordinary shares. Between our initial public offering and March 31, 2016, our majority shareholders held, directly or indirectly, between approximately 72.72% and 76.5% of equity interest in us, except for brief periods following our equity offerings in 1999 and 2000 but before the issuance of consideration shares to our direct shareholder, China Mobile Hong Kong (BVI) Limited, for the related acquisitions, during which periods the shareholding was temporarily lower. See “Item 4. Information on the Company — The History and Development of the Company — Industry Restructuring and Changes in Our Shareholding Structure” for changes during the past three years with respect to our majority shareholders. Under our Articles of Association, our major shareholders do not have different voting rights when compared to other holders of shares in the same class.

We are not aware of any arrangement which may at a subsequent date result in a change of control over us.

Related Party Transactions

As of March 31, 2016, CMCC indirectly owned an aggregate of approximately 72.72% of our issued and outstanding share capital.

We and each of our subsidiaries have entered into various related party transactions. The principal terms of the agreements for these related party transactions are described below.

Certain charges for the services under these agreements are based on tariffs set by the PRC regulatory authorities. Those transactions where the charges are not set by PRC regulatory authorities are based on commercial negotiation between the parties, in each case on an arm’s-length basis.

International Roaming Arrangements

Pursuant to an agreement between us and CMCC (the “International Roaming Settlement Agreement”), CMCC maintains the existing settlement arrangements with respect to international interconnection and roaming with the relevant telecommunications services providers in foreign countries and regions, and collects the relevant usage fees and other fees from us and pays the same to the relevant mobile services providers in foreign countries and regions. On September 13, 2012, we entered into an agreement with CMCC, pursuant to which CMCC would gradually transfer its settlement arrangements with certain telecommunications services providers in foreign countries and regions to China Mobile International, our wholly-owned subsidiary. As a result, our arrangement with CMCC with respect to international interconnection and roaming with those telecommunications services providers has been gradually phasing out.

Licensing of Trademark

CMCC is the owner of the “CHINA MOBILE” name and logo, a registered trademark in Mainland China, Australia, Brunei, Cambodia, Canada, Hong Kong, India, Indonesia, Macau, New Zealand, Pakistan, South Africa, South Korea, Taiwan, Thailand, the United States and Yemen. In addition, it has filed applications to register the “CHINA MOBILE” name and logo as a trademark in Malaysia for certain goods and services. CMCC has also registered the “CHINA MOBILE” name and logo as a trademark under the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks.

On January 1, 2013, we entered into the 2013 Trademark License Agreement with CMCC, which has a term of five years. Under the 2013 Trademark License Agreement, we and our operating subsidiaries are granted the right to use the “CHINA MOBILE” name and logo. No license fee is payable by us to CMCC during the term of the 2013 Trademark License Agreement.

Spectrum Fees and Numbering Resources

The MIIT and the MOF jointly determine the standardized spectrum fees payable to the MIIT by all mobile operators in Mainland China, including us. In accordance with a joint circular from the NDRC and the MOF, CMCC entered into an agreement with us that specifies the amount of fees to be paid to the MIIT for spectrum usage by each mobile network operator based on the bandwidth of the frequency used.

Pursuant to an agreement between us and CMCC (the “Spectrum and Numbering Resources Agreement”), CMCC will collect usage fees from us relating to spectrum frequency and numbering resources and make payment to the MIIT (and prior to April 2008, to the Ministry of Information Industry, predecessor of the MIIT). In addition to transferring to us all existing frequency spectrum and numbering resources allocated to it by the MIIT, CMCC has also agreed to apply for new frequency spectrum and numbering resources upon our request or notice from time to time and transfer the relevant new frequency spectrum and numbering resources to us.

Sharing of Inter-Provincial Transmission Line Leasing Fees

Pursuant to an agreement between us and CMCC (the “Inter-Provincial Transmission Line Leasing Settlement Agreement”), CMCC maintains the existing settlement arrangements with respect to inter-provincial transmission line leasing with the relevant transmission line providers in Mainland China, and collects inter-provincial transmission line leasing fees from us and pays the same to the transmission line providers in respect of the inter-provincial transmission lines we lease from such providers.

Platform Development

Aspire is 66.41% owned by us, and is our joint venture with Vodafone and Hewlett-Packard Company. Aspire has a platform development master agreement (the “Platform Development Agreement”) with CMCC, pursuant to which Aspire (or its subsidiaries) will provide technology platform development and maintenance services to CMCC and its subsidiaries. These services include system and gateway integration services, hardware, software and system development (including development of applications), technical support and major overhaul services for a standardized, nation-wide platform for wireless data.

Under the Platform Development Agreement, CMCC will pay Aspire equipment charges, systems integration fees, software licensing fees, technical support fees and/or major overhaul charges, which will be determined according to standards laid down by the relevant governmental departments and/or by reference to market rates.

Leasing of TD-SCDMA Network Capacity

Pursuant to a network capacity leasing agreement between us and CMCC (the “Network Capacity Leasing Agreement”), we and our operating subsidiaries lease TD-SCDMA network capacity from CMCC and pay leasing fees to CMCC. The initial term of the Network Capacity Leasing Agreement expired on December 31, 2009 and the agreement has been renewed for successive one-year periods since that time.

The leasing fees are determined on a basis that reflects our actual usage of CMCC’s TD-SCDMA network capacity and compensates CMCC for the costs of such network capacity. The amount of leasing fees payable by us to CMCC under the Network Capacity Leasing Agreement did not exceed RMB10,000 million in 2015, and it is expected that the amount of leasing fees payable by us to CMCC under the Network Capacity Leasing Agreement (as renewed) will not exceed RMB10,000 million in 2016. The transactions contemplated under the Network Capacity Leasing Agreement constitute our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders’ approval requirements under the Hong Kong Listing Rules.

Interconnection Settlement Arrangements

China TieTong is a wholly-owned subsidiary of CMCC, our connected person for purposes of the Hong Kong Listing Rules. Pursuant to an agreement among us, CMCC and China TieTong (the “Tripartite Agreement”), we and China TieTong make settlement payments to each other in respect of calls made or received by their respective customers. The initial term of the Tripartite Agreement expired on December 31, 2009. The Tripartite Agreement provides that unless the parties agree otherwise, upon expiry of its term, the Tripartite Agreement shall automatically be renewed for further terms of one year. We, CMCC and China TieTong agreed to renew the Tripartite Agreement on August 21, 2015 for a term of one year commencing on January 1, 2016.

The settlement charges receivable by us from China Tietong under the Tripartite Agreement in 2015 did not exceed the de minimis threshold under Chapter 14A of the Hong Kong Listing Rules. The settlement charges payable by us under the Tripartite Agreement did not exceed RMB800 million in 2015. The annual cap for the settlement charges payable by us to CMCC under the Tripartite Agreement (as renewed) for 2016 is RMB800 million. Before the completion of the acquisition of Target Assets and Businesses on December 31, 2015, the transactions contemplated under the Tripartite Agreement constituted our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders’ approval requirements under the Hong Kong Listing Rules. Since the completion of such acquisition, the business contracts and relevant transactions between us, CMCC and China TieTong as contemplated under the Tripartite Agreement have been conducted by us and our subsidiaries. As a result, the existing interconnection settlement arrangements pursuant to the Tripartite Agreement ceased to be our continuing connected transactions pursuant to Chapter 14A of the Listing Rules.

Telecommunications Services Cooperation Agreement

In order to meet the customers’ demand for one-stop shop telecommunications services, we and CMCC have entered into a telecommunications services cooperation agreement (the “Telecommunications Services Cooperation Agreement”) pursuant to which we and CMCC will provide customer development services to each other by utilizing our respective existing sales channels and resources, such as sales outlets, Internet sales network, sales personnel and local sales units, and cooperate in the provision of basic telecommunications services and value-added telecommunications services to customers of the other party. The initial term of the Telecommunications Services Cooperation Agreement expired on December 31, 2010 and the agreement has been renewed for successive one-year periods since that time.

The amount of charges receivable by us in 2015 under the Telecommunications Services Cooperation Agreement did not exceed RMB1,700 million, while the amount of charges payable by us in 2015 under the Telecommunications Services Cooperation Agreement did not exceed RMB7,000 million. Following the completion of the acquisition of Target Assets and Businesses in December 2015, we estimate that the aggregate amount of charges payable by us to CMCC and the aggregate amount of charges receivable by us from CMCC under the Telecommunications Services Cooperation Agreement (as renewed) in 2016 will no longer be subject to the reporting, annual review, announcement or individual shareholders’ approval requirements under the Hong Kong Listing Rules.

Network Assets Leasing Agreement

In order to better position ourselves in the changing landscape of the telecommunications industry in China and to enable us to meet the customers’ demand for one-stop shop telecommunications services, we entered into the Network Assets Leasing Agreement with CMCC on August 18, 2011 (the “Network Assets Leasing Agreement”), pursuant to which we and CMCC will lease our respective telecommunications network operation assets to each other in return for a leasing fee. The initial term of the Network Assets Leasing Agreement expired on December 31, 2011 and the agreement has been renewed for successive one-year periods since that time.

The leasing fees will be determined with reference to the prevailing market rates, but in any event shall not be more than the leasing fees charged to any independent third party for the same kinds of network assets. The amount of leasing fees receivable by us from CMCC in 2015 under the Network Assets Leasing Agreement did not exceed the de minimis threshold under Chapter 14A of the Hong Kong Listing Rules, and the amount of leasing fees payable by us to CMCC in 2015 under the Network Assets Leasing Agreement did not exceed RMB15,000 million. It is expected, in 2016, that the amount of leasing fees payable by us to CMCC under the Network Assets Leasing Agreement (as renewed) will not exceed RMB5,500 million, while the aggregate amount of the leasing fees receivable by us from CMCC will not exceed the de minimis threshold under Rule 14A.76 of the Hong Kong Listing Rules. The transactions contemplated under the Network Assets Leasing Agreement constitute our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders’ approval requirements under the Hong Kong Listing Rules.

Transfer of Telecommunications Towers and Related Assets to China Tower

In October 2015, CMC entered into the Transaction Agreement with China United Network Communications Corporation Limited, China Telecom Corporation Limited, China Reform Holdings Corporation Ltd. and China Tower, pursuant to which CMC, China United Network Communications Corporation Limited and China Telecom Corporation Limited shall transfer their telecommunications towers and related assets to China Tower, China Tower shall issue and allot shares in China Tower and/or pay certain cash as consideration for such transfers and China Reform Corporation shall subscribe for new shares in China Tower in cash. The transfer of telecommunication towers and related assets was consummated in October 2015. CMC transferred its existing telecommunications towers and related assets to China Tower for a final consideration of RMB102.736 billion. In January 2016, seven subsidiaries of CMC and China Tower entered into share subscription agreements to settle the number of shares subscribed by such subsidiaries and the amount of the consideration. As of March 31, 2016, we indirectly owned 38% equity interest in China Tower through CMC, our wholly owned subsidiary.

Telecommunications Towers and Related Assets Arrangements

We are in the process of negotiating the usage arrangements with China Tower for our usage of telecommunications towers and related assets from China Tower. Upon the completion of the transfer of telecommunications towers and related assets to China Tower, based on the proposed usage pricing calculation mechanism of assets to China Tower and the actual usage, we accrued the expense of approximately RMB5.6 billion in 2015.

Miscellaneous

Following the completion of our acquisition of the telecommunications assets from CMCC in July 2004, the transactions previously entered into between our subsidiaries and prior subsidiaries of CMCC which have been acquired by us no longer constitute connected transactions under the Hong Kong Listing Rules beginning on July 1, 2004 since such prior subsidiaries of CMCC became part of us on July 1, 2004. Only those transactions between CMCC and us or its subsidiaries (which have not been acquired by us) remain as connected transactions under the Hong Kong Listing Rules. As of the date of this annual report on Form 20-F, in order to streamline the management of the connected transactions between CMCC and us, we consolidated the agreements between CMCC and us:

- (i) the Property Leasing and Management Services Agreement, pursuant to which we rent from CMCC various properties for use as business premises and offices, retail outlets and machining rooms and CMCC and its subsidiaries provide to us property management services. Under this agreement, for properties owned by CMCC or its subsidiaries, the charges are determined with reference to market rates. For properties leased by CMCC or its subsidiaries from third parties and sublet to us, the charges are determined according to the actual rent payable by CMCC or its subsidiaries together with any tax payable; and
- (ii) the Telecommunications Services Agreement, pursuant to which our subsidiaries obtain telecommunications project planning, design and construction services, telecommunications line and pipeline construction services and telecommunications line maintenance services from CMCC and its subsidiaries. Pursuant to the Telecommunications Services Agreement, subsidiaries of CMCC sell transmission towers and spare parts and provide related installation and maintenance services to our subsidiaries. Under this agreement, the charges and prices payable are generally determined with reference to and cannot exceed relevant standards set by and revised from time to time by relevant governmental authorities in Mainland China. Where there are no such standards, the charges and prices are determined with reference to market rates.

The rental and property management service charges paid by us to CMCC and its subsidiaries under the Property Leasing Agreement did not exceed RMB1,500 million, RMB2,000 million and RMB2,200 million in 2013, 2014 and 2015, respectively. The charges paid by us to CMCC and its subsidiaries under the Telecommunications Services Agreement did not exceed RMB3,500 million, RMB7,000 million and RMB8,000 million in 2013, 2014 and 2015, respectively, while the aggregate annual amount paid by CMCC and its subsidiaries to us in 2013, 2014 and 2015 did not exceed RMB2,400 million, RMB2,300 million and RMB2,200 million, respectively.

Following the completion of the acquisition of Target Assets and Businesses in December 2015, we estimate that the aggregate annual amount payable by us to CMCC and its subsidiaries under the Telecommunications Services Agreement in 2016 will no longer be subject to the reporting, annual review, announcement or individual shareholders' approval requirements under the Hong Kong Listing Rules. The other transactions contemplated under the Property Leasing Agreement constitute our continuing connected transactions under Rule 14A.31 of the Hong Kong Listing Rules and are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirements under the Hong Kong Listing Rules.

The rental and property management service charges payable by us to CMCC and its subsidiaries under the Property Leasing Agreement in 2016 are not expected to exceed RMB2,800 million. The aggregate annual amounts payable by CMCC and its subsidiaries to us under the Telecommunications Services Agreement in 2016 are not expected to exceed RMB1,800 million, respectively.

In 2015, no consideration was paid from us to CMCC or from CMCC to us under the 2013 Trademark License Agreement, the Spectrum and Numbering Resources Agreement, the Inter-Provincial Transmission Line Leasing Settlement Agreement and the Platform Development Agreement.

Item 8. Financial Information.

Consolidated Financial Statements

Our audited consolidated financial statements are set forth beginning on page F-1. Other than as disclosed elsewhere in this annual report on Form 20-F, no significant change has occurred since the date of the annual financial statements.

Legal Proceedings

We are not involved in any material litigation, arbitration or administrative proceedings, and, so far as we are aware, we do not have any pending or threatened litigation, arbitration or administrative proceeding that is expected to have a material effect on our financial condition and results of operations.

Policy on Dividend Distributions

We hold in the highest regard the interests of our shareholders and the returns achieved for them, especially our minority shareholders. In consideration of our operating results in 2015 and having taken into account our long-term future development, our board of directors recommended payment of a final dividend of HK\$1.196 per share for the financial year ended December 31, 2015. This is in accordance with our dividend payout ratio of 43% planned for the full financial year of 2015. This, together with the interim dividend of HK\$1.525 per share that was paid, amounted to an aggregate dividend payment of HK\$2.721 per share for the full financial year of 2015.

In 2016, having taken into consideration various relevant factors, such as our overall financial condition, cash flow generating capabilities and future sustainable development needs, we plan that our dividend payout ratio for the full year of 2016 will be 43%.

Our board of directors believes that our favorable profitability and healthy cash flow generating capability will be able to provide sufficient support to our future development, while providing our shareholders with a favorable return.

Item 9. The Offer and Listing.

In connection with our initial public offering, our ADSs each representing twenty ordinary shares, were listed and commenced trading on the New York Stock Exchange on October 22, 1997 under the symbol "CHL". Effective from July 5, 2000, our ADS-to-share ratio has been changed to one-to-five. Our shares were listed and commenced trading on the Hong Kong Stock Exchange on October 23, 1997. Prior to these listings, there was no public market for our equity securities. The New York Stock Exchange and the Hong Kong Stock Exchange are the principal trading markets for our ADSs and ordinary shares, which are not listed on any other exchanges in or outside the United States.

As of December 31, 2015 and March 31, 2016, there were 20,475,482,897 and 20,475,482,897, respectively, of our ordinary shares issued and outstanding. As of December 31, 2015 and March 31, 2016, there were, respectively, 483 and 478 registered holders of American depositary receipts evidencing 98,998,862 and 99,191,320 of our ADSs. Since certain of the ADSs are held by nominees, the above number may not be representative of the actual number of U.S. beneficial holders of ADSs or the number of ADSs beneficially held by U.S. persons. The depositary for the ADSs is The Bank of New York Mellon.

The high and low closing sale prices of the shares on the Hong Kong Stock Exchange and of the ADSs on the New York Stock Exchange for the periods indicated are as follows.

	Price per Share (HK\$)		Price per ADS (US\$)	
	High	Low	High	Low
2011	80.90	68.15	51.70	43.77
2012	92.55	75.05	59.30	48.62
2013	91.45	75.05	59.53	47.74
2014				
First Quarter	80.40	64.50	51.33	41.55
Second Quarter	78.15	69.05	50.68	44.77
Third Quarter	101.70	75.80	64.91	48.67
Fourth Quarter	97.00	87.75	63.17	56.82
2015				
First Quarter	108.30	88.75	69.47	56.70
Second Quarter	116.10	97.80	75.00	63.58
Third Quarter	102.80	89.30	66.03	56.91
Fourth Quarter	95.95	87.35	61.95	56.29
October	95.95	91.20	61.95	58.97
November	95.25	88.10	61.41	57.47
December	90.60	87.35	58.81	56.29
2016				
January	87.50	79.65	55.08	50.66
February	85.75	82.00	55.50	52.36
March	86.50	83.30	56.32	53.78
First Quarter	87.50	79.65	56.32	50.66
April (through April 25)	91.85	84.75	58.55	54.38

Item 10. Additional Information.

Articles of Association

According to the Companies Ordinance, we have the capacity and the rights, powers and privileges of a natural person of full age and, in addition and without limit, we may do anything that we are permitted or required to do by any enactment or rule of law.

Directors

Material Interests. A director (or an entity connected with a director) who is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with us shall declare the nature and extent of his interest in accordance with the provisions of the Companies Ordinance and our Articles of Association. A director shall not vote (nor shall be counted in the quorum), on any resolution of the board in respect of any contract or transaction or arrangement or proposal in which he or any of his Associates (as such term is defined in the Listing Rules of the Hong Kong Stock Exchange), is to his knowledge, materially interested, and if he shall do so, his vote shall not be counted (nor shall be counted in the quorum for that resolution). The above prohibition shall not apply to any contract, arrangement or proposal:

- for the giving by us of any security or indemnity to the director or his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of, or for, our or any of our subsidiaries' benefit;

- for the giving by us of any security to a third party in respect of our or any of our subsidiaries' debt or obligation for which the director or his Associates has himself or themselves assumed responsibility or guaranteed or secured in whole or in part whether alone or jointly;
- concerning an offer of the shares or debentures or other securities of or by us or any other company which we may promote or be interested in for subscription or purchase where the director or his Associates are, or are to be, interested as a participant in the underwriting or sub-underwriting of the offer;
- in which the director or his Associates are interested in the same manner as other holders of our shares or debentures or other securities by virtue only of his or their interest in our shares or debentures or other securities;
- concerning any other company in which the director or his Associates are interested, whether directly or indirectly, as an officer or a shareholder or in which the director or his Associates are beneficially interested in shares of that company other than a company in which the director and any of his Associates, are beneficially interested in 5% or more of the issued shares of any class of the equity share capital of such company (or of any third company through which his interest or that of his Associates is derived) or of the voting rights (excluding for the purpose of calculating such 5% interest any indirect interest of such director or his Associates by virtue of our interest in such company);
- for the benefit of our or any of our subsidiaries' employees, including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to our, or any of our subsidiaries', directors, his Associates and employees and does not give the director or his Associates any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and
- concerning the adoption, modification or operation of any employees' share scheme involving the issue or grant of options over shares or other securities by us to, or for the benefit of, our or any of our subsidiaries' employees under which the director or his Associates may benefit.

Remuneration and Pension. The directors shall be entitled to receive by way of remuneration for their services such sum as we may determine from time to time in general meeting. The directors shall also be entitled to be repaid their reasonable traveling, hotel and other expenses incurred by them in or about the performance of their duties as directors. The directors may award special remuneration out of our funds (by way of salary, commission or otherwise as the directors may determine) to any director who performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director.

The board may establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to any persons (1) who are or were at any time in employment or service of our company, or any of our subsidiaries, or is allied or associated with us or with any of our subsidiaries, or (2) who are or were at any time our or any of our subsidiaries' directors or officers, and holding or who have held any salaried employment or office in our company or any of our subsidiaries, and the wives, widows, families and dependents of any such persons. Any director holding any such employment or office shall be entitled to participate in, and retain for his own benefit, any such donation, gratuity, pension, allowance or emolument.

Borrowing Powers. The directors may exercise all the powers of our company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of our company or any third party.

Qualification; Retirement. A director need not hold any of our shares to qualify as a director. There is no age limit requirement for a director's retirement or non-retirement.

Each director is subject to retirement by rotation and at each general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office by rotation. The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day shall be determined by lot unless they otherwise agree between themselves. The retiring directors shall be eligible for re-election.

Rights Attaching to Ordinary Shares

Voting Rights. Under the Companies Ordinance, any action to be taken by the shareholders in a general meeting requires the affirmative vote of either an ordinary or a special resolution passed at the meeting. An ordinary resolution is one passed by the majority of such shareholders as are entitled to, and do, vote in person or by proxy at a general meeting. A special resolution is one passed by not less than three-quarters of such shareholders as are entitled to, and do, vote in person or by proxy at a general meeting. Generally, resolutions of shareholders are passed by ordinary resolution. However, the Companies Ordinance stipulates that certain matters may only be passed by special resolutions.

At any general meeting a resolution put to the vote of the meeting shall be decided on a poll demanded by:

- the chairman of the meeting;
- at least three members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote at the meeting;
- any member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and representing in the aggregate not less than five per cent. of the total voting rights of all members having the right to attend and vote at the meeting; or
- any member or members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than five per cent. of the total sum paid up on all shares conferring that right;

provided that a resolution put to the vote of the meeting may be decided on a show of hands to the extent permitted by Hong Kong Listing Rules.

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized under Section 606 of the Companies Ordinance at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.

On a poll, votes may be given either personally or by proxy and a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

Modification of Rights. All or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may subject to the provisions of the Companies Ordinance, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class.

Issue of Shares. A general meeting resolving upon the creation of any new shares may direct that the same or any of them shall be offered in the first instance, to all the holders for the time being of any class of shares in the capital of our company, in proportion to the number of shares of such class held by them respectively, or make any other provisions as to the issue and allotment of the new shares, and in default of any such direction, or so far as the same shall not extend, the new shares shall be at the disposal of the directors, and Article 9 of the Articles of the Association shall apply thereto.

Dividends. We may by ordinary resolution declare dividends, but no such dividend shall be declared in excess of the amount recommended by the directors.

The directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the directors to be justified.

Winding Up. If we shall be wound up, the liquidator (whether voluntary or official) may, with the sanction of a special resolution, divide among the shareholders in specie or kind the whole or any part of our assets or vest any part of our assets in trustees upon such trusts for the benefit of the members or any of them as the resolution shall provide.

Miscellaneous. The shareholders are not entitled to any redemption rights, conversion rights or preemptive rights on the transfer of our securities.

Annual General Meetings and Extraordinary General Meetings

We must hold, in each year, a general meeting as our annual general meeting in addition to any other meetings in that year. The annual general meeting must be held within six months after the end of each financial year and at such place(s) as may be determined by the directors. All other general meetings are extraordinary general meetings. The directors may proceed to convene an extraordinary general meeting whenever they think fit, in accordance with the Companies Ordinance.

In general, an annual general meeting and a meeting called for the passing of a resolution requiring special notice as stipulated under Section 578 of the Companies Ordinance shall be called by not less than 21 days' notice in writing, and any other general meeting shall be called by not less than 14 days' notice in writing. The notice must specify the place, date and time of the meeting and, in the case of special business, the general nature of that business.

Miscellaneous

We keep our share register with our share registrar, which is Hong Kong Registrars Ltd., Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. In addition, we also file certain documents with the Registrar of Companies, Hong Kong, China, in accordance with the requirements of the Companies Ordinance. Our company number is 622909.

Material Contracts

See "Item 7. Major Shareholders and Related Party Transactions — Related Party Transactions" for certain arrangements we have entered into with CMCC and China Tower.

Exchange Controls

The Renminbi currently is not a freely convertible currency. Under the "capital account", which includes, among others, foreign direct investment, the prior approval of the State Administration of Foreign Exchange should be obtained prior to conversion of Renminbi into foreign currency. However, under the "current account", which includes dividends, trade and service-related foreign currency transactions, the Renminbi is currently freely convertible.

The value of the Renminbi is subject to changes in PRC government policies and to international economic and political developments. Since 1994, the conversion of the Renminbi into foreign currencies, including U.S. dollars, has been based on rates set by PBOC, which are set daily based on the previous business day's inter-bank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of the Renminbi to foreign currencies was generally stable. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

There are no limitations on the right of non-resident or foreign owners to remit dividends or to hold or vote the ordinary shares or the ADSs imposed by Hong Kong law or by our Articles of Association or other constituent documents.

Taxation — PRC

This section describes certain PRC tax consequences relating to the ownership and disposition of our ordinary shares and ADSs. This section does not address all possible PRC tax considerations that may be relevant to an investment in our ordinary shares or ADSs in light of an investor's specific circumstances, and is based on PRC tax laws and relevant interpretations as in effect as of the date of this annual report on Form 20-F, which are subject to change, including the possibility of having retroactive effect. Accordingly, you should consult your own tax advisor regarding the PRC and other tax consequences of an investment in our ordinary shares or ADSs under your particular circumstances.

Under the PRC Enterprise Income Tax Law and its implementing rules, which took effect on January 1, 2008, or the PRC income tax law, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income. Moreover, the PRC tax authorities have been issuing further interpretations and notices to enhance the application of the PRC income tax law.

Taxation of Dividends

On April 22, 2009, the PRC State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Tax Residence Status of Chinese-Controlled Offshore-Incorporated Enterprises on the Basis of De Facto Management Bodies, or the 2009 Notice, which had retroactive effect as of January 1, 2008. We are considered a PRC resident enterprise for purposes of the 2009 Notice. In accordance with the 2009 Notice and the PRC income tax law, we are required to withhold enterprise income tax equal to 10% of any dividend when it is distributed to non-resident enterprise shareholders whose names appeared on our register of members, as of the record date for such dividend, and who were not individuals.

Taxation of Capital Gains

Under the PRC income tax law, a non-resident enterprise is generally subject to PRC enterprise income tax with respect to PRC-sourced income, but uncertainties remain as to their implementation by the relevant PRC tax authorities. We intend to comply with any interpretation or notice in relation to the taxation of capital gains issued by the PRC tax authorities in the future.

Other PRC Tax Considerations

Stamp duty. Under the Provisional Regulations of the PRC Concerning Stamp Duty and its implementing rules, both of which became effective on October 1, 1988, PRC stamp duty should not apply to acquisitions or dispositions of our ordinary shares or ADSs outside of the PRC, as the PRC stamp duty is imposed only on documents executed or received within the PRC that are legally binding in the PRC and protected under the PRC law.

Estate tax. The PRC does not currently levy estate tax.

Taxation — Hong Kong

The taxation of income and capital gains of holders of ordinary shares or ADSs is subject to the laws and practices of Hong Kong and of jurisdictions in which holders of ordinary shares or ADSs are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions under Hong Kong law is based on current law and practice, is subject to changes therein and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the ordinary shares or ADSs. Accordingly, each prospective investor (particularly those subject to special tax rules, such as banks, dealers, insurance companies, tax-exempt entities and holders of 10% or more of our voting capital stock) should consult its own tax advisor regarding the tax consequences of an investment in the ordinary shares and ADSs. The discussion is based upon laws and relevant interpretations thereof in effect as of the date of this annual report on Form 20-F, all of which are subject to change. There is no reciprocal tax treaty in effect between Hong Kong and the United States.

Tax on Dividends

Under the current practices of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Profits Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of property (such as the ordinary shares and ADSs). Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% and 15% on corporations and unincorporated businesses, respectively, and at a maximum rate of 15% on individuals. Gains from sales of the ordinary shares effected on the Hong Kong Stock Exchange may be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax may thus arise in respect of trading gains from sales of ordinary shares or ADSs realized by persons carrying on a business or trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the rate of HK\$1 per HK\$1,000 or part thereof on the higher of the consideration for or the value of the ordinary shares, will be payable by the purchaser on every purchase and by the seller on every sale of ordinary shares (i.e., a total of HK\$2 per HK\$1,000 or part thereof is currently payable on a typical sale and purchase transaction involving ordinary shares). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of ordinary shares. If one of the parties to the sale is a non-Hong Kong resident and does not pay the required stamp duty, the duty not paid will be assessed on the instrument of transfer (if any) and the transferee will be liable for payment of such duty. The withdrawal of ordinary shares upon the surrender of ADSs, and the issuance of ADSs upon the deposit of ordinary shares, will also attract stamp duty at the rate described above for sale and purchase transactions unless the withdrawal or deposit does not result in a change in the beneficial ownership of the ordinary shares under Hong Kong law, in which case only a fixed duty of HK\$5 is payable on the transfer. The issuance of the ADSs upon the deposit of ordinary shares issued directly to the depository or for the account of the depository does not attract stamp duty. No Hong Kong stamp duty is payable upon the transfer of ADSs outside Hong Kong.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of ordinary shares whose death occurs on or after February 11, 2006.

Taxation — United States Federal Income Taxation

This section describes the material United States federal income tax consequences of the ownership and disposition of our ordinary shares or ADSs. This section applies to you only if you are a U.S. holder, as defined below, and you hold your ordinary shares or ADSs as capital assets for United States federal income tax purposes. This section does not apply to you if you are a member of a special class of holders subject to special rules, including:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings;
- a tax-exempt organization;
- a life insurance company;
- a person liable for alternative minimum tax;
- a person that actually or constructively owns 10% or more of our voting stock;
- a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction;
- a person that purchases or sells ordinary shares or ADSs as part of a wash sale for tax purposes; or
- a person whose functional currency is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed regulations, published rulings and court decisions, all as currently in effect, as well as on the agreement between the United States and the People's Republic of China for the avoidance of double taxation (the "U.S.-PRC Treaty"). These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depository, and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

If a partnership holds the ordinary shares or ADSs, the United States federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the ordinary shares or ADSs should consult its tax advisor with regard to the United States federal income tax treatment of its investment in the ordinary shares or ADSs.

You are a U.S. holder if you are a beneficial owner of ordinary shares or ADSs and you are:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

You should consult your own tax advisor regarding the United States federal, state and local tax consequences of owning and disposing of ordinary shares and ADSs in your particular circumstances.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, if you hold ADRs evidencing ADSs, you will be treated as the owner of the ordinary shares represented by those ADRs. Exchanges of ordinary shares for ADRs, and ADRs for ordinary shares, generally will not be subject to the United States federal income tax.

Taxation of Dividends

Under the United States federal income tax laws, and subject to the passive foreign investment company rules discussed below, if you are a U.S. holder, the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) is subject to United States federal income taxation. If you are a non-corporate U.S. holder, dividends that constitute qualified dividend income will be taxable to you at the preferential rates applicable to long-term capital gains provided that you hold the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends that are paid with respect to ADSs that are readily tradable on an established securities market in the United States are qualified dividend income. Under this rule, we expect that the dividends we pay with respect to the ADSs will be qualified dividend income. In addition, dividends paid by a non-U.S. corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States will be qualified dividend income. As our ordinary shares are not readily tradable on an established securities market in the United States and because we are uncertain as to whether we are eligible for the benefits of the U.S-PRC Treaty, it is unclear whether dividends paid with respect to our ordinary shares will also be qualified dividend income.

The dividend is taxable to you when you, in the case of ordinary shares, or the Depositary, in the case of ADSs, receive the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that you must include in your income as a U.S. holder will be the U.S. dollar value of the Hong Kong dollar payments made, determined at the spot Hong Kong dollar/U.S. dollar rate on the date the dividend distribution is includible in your income, regardless of whether the payment is, in fact, converted into U.S. dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date you include the dividend payment in income to the date you convert the payment into U.S. dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of your basis in the ordinary shares or ADSs and thereafter as capital gain. However, we do not expect to calculate earnings and profits in accordance with United States federal income tax principles. Accordingly, you should expect to generally treat distributions we make as dividends.

Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the preferential tax rates.

Dividends will generally be income from sources outside the United States and, depending on your circumstances, will be either "passive" or "general" income for purposes of computing the foreign tax credit allowable to you. If you are subject to PRC withholding tax (as discussed in "Taxation — PRC — Taxation of Dividends," above), you must include any such tax withheld from the dividend payment in your gross income, even though you do not in fact receive it. Subject to certain limitations, the PRC tax withheld and paid over to the PRC tax authorities will be creditable against your United States federal income tax liability. To the extent a refund of the tax withheld is available under PRC law, or to the extent that you could have avoided the withholding tax by complying with any certification, identification requirement or by completing any forms, the amount of tax withheld that is refundable or that could have been avoided will not be eligible for credit against your United States federal income tax liability.

Taxation of Capital Gains

Subject to the passive foreign investment company rules discussed below, if you are a U.S. holder and you sell or otherwise dispose of your ordinary shares or ADSs, you will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount that you realize and your tax basis, determined in U.S. dollars, in your ordinary shares or ADSs. Capital gain of a non-corporate U.S. holder is generally taxed at preferential rates where the property is held for more than one year. Subject to the paragraph immediately below regarding gain subject to PRC tax, the gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. Your ability to deduct capital losses is subject to limitations. Any Hong Kong stamp duty that you pay will not be a creditable tax for United States federal income tax purposes, but you may be able to deduct such stamp duty subject to limitations under the Code.

It is not clear if PRC tax will be imposed on any gain from the disposition of your ordinary shares or ADSs (as discussed above in “Taxation — PRC — Taxation of Capital Gains”). Under the U.S.-PRC Treaty, if PRC tax were to be imposed on any gain from the disposition of your ordinary shares or ADSs, then such gain will be treated as PRC source income if you are eligible for the benefits of the U.S.-PRC Treaty. U.S. holders should consult their tax advisors regarding the possibility of PRC tax being imposed on gain from the disposition of their ordinary shares or ADSs, the tax consequences if PRC tax were to be imposed on such dispositions, and the availability of the foreign tax credit under their particular circumstances.

PFIC Rules

We believe that we should not be treated as a passive foreign investment company, or PFIC, for United States federal income tax purposes, but this conclusion is a factual determination that is made annually and thus may be subject to change. In general, if you are a U.S. holder, we will be a PFIC with respect to you if for any taxable year in which you held our ADSs or ordinary shares:

- at least 75% of our gross income for the taxable year is passive income; or
- at least 50% of the value, determined on the basis of a quarterly average, of our assets is attributable to assets that produce or are held for the production of passive income.

Passive income generally includes dividends, interest, royalties, rents (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a foreign corporation owns, directly or indirectly, at least 25% by value of the stock of another corporation, the foreign corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation, and as receiving directly its proportionate share of the other corporation's income.

If we are treated as a PFIC, and you are a U.S. holder that does not make a mark-to-market election, as described below, you will be subject to special rules with respect to:

- any gain you realize on the sale or other disposition of your ordinary shares or ADSs; and
- any excess distribution that we make to you (generally, any distributions to you during a single taxable year that are greater than 125% of the average annual distributions received by you in respect of the ordinary shares or ADSs during the three preceding taxable years or, if shorter, your holding period for the ordinary shares or ADSs).

Under these rules:

- the gain or excess distribution will be allocated ratably over your holding period for the ordinary shares or ADSs;
- the amount allocated to the taxable year in which you realized the gain or excess distribution will be taxed as ordinary income;

- the amount allocated to each prior year, with certain exceptions, will be taxed at the highest tax rate in effect for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year.

Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC.

If we are a PFIC and you own ADSs, then you can make a mark-to-market election with respect to the ADSs. If we are a PFIC and you own ordinary shares, then you can make a mark-to-market election if the ordinary shares are treated as marketable stock under the applicable regulations. If you make this election, you will not be subject to the PFIC rules described above. Instead, in general, you will include as ordinary income each year the excess, if any, of the fair market value of your ordinary shares or ADSs at the end of the taxable year over your adjusted basis in your ordinary shares or ADSs. You will also be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of your ordinary shares or ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). Your basis in the ordinary shares or ADSs will be adjusted to reflect any such income or loss amounts. Your gain, if any, recognized upon the sale of your ordinary shares or ADSs will be taxed as ordinary income.

In addition, notwithstanding any election you make with regard to the ordinary shares or ADSs, dividends that you receive from us will not constitute qualified dividend income to you if we are a PFIC, either in the taxable year of the distribution or the preceding taxable year. Moreover, subject to the following sentence, your ordinary shares or ADSs will be treated as stock in a PFIC if we were a PFIC at any time during your holding period in your ordinary shares or ADSs, even if we are not currently a PFIC. The rule in the preceding sentence will not apply, however, if you had a mark-to-market election in effect with respect to your ordinary shares or ADSs in the final year in which we are a PFIC or if you made a special “purging election” with respect to your ordinary shares or ADSs. Dividends that you receive that do not constitute qualified dividend income are not eligible for taxation at the preferential rates applicable to qualified dividend income. Instead, you must include the gross amount of any such dividend paid by us out of our accumulated earnings and profits (as determined for United States federal income tax purposes) in your gross income, and it will be subject to tax at rates applicable to ordinary income.

If you own ordinary shares or ADSs during any year that we are a PFIC with respect to you, you may be required to file Internal Revenue Service Form 8621.

Documents on Display

You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC’s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges. The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information regarding registrants that file electronically with the SEC.

The SEC allows us to “incorporate by reference” the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

Item 11. Quantitative and Qualitative Disclosures About Market Risk.

We are subject to market rate risks due to fluctuations in interest rates. The majority of our debt is in the form of long-term loans with original maturities ranging up to fifteen years. Accordingly, fluctuations in interest rates can lead to significant fluctuations in the fair value of these debt instruments. From time to time, we may enter into interest rate swap agreements designed to mitigate our exposure to interest rate risks, although we did not consider it necessary to do so in 2015.

We are also exposed to foreign currency risk relating to cash and cash equivalents denominated in foreign currencies. We may enter into foreign exchange forward contracts designed to mitigate our exposure to foreign currency risks. As of December 31, 2015, we had no foreign exchange forward contracts outstanding. We expect our foreign currency hedging activity to be generally limited to the hedging of specific future commitments in foreign currencies.

The following table provides information regarding our interest rate-sensitive financial instruments, which consist of fixed and variable rate short-term and long-term debt obligations, as of the dates indicated.

	Expected Maturity Date						As of December 31, 2015		As of December 31, 2014	
	2016	2017	2018	2019	2020	Thereafter	Total	Fair	Total	Fair
							Recorded	Value	Recorded	Value
(RMB equivalent in millions, except interest rates)										
Debt:										
Obligations under finance leases	—	—	—	—	—	—	—	—	68	68
Average interest rate	—	—	—	—	—	—	—	—	4.96%	—
Bonds issued by Guangdong Mobile	—	4,995	—	—	—	—	4,995	5,150	4,992	4,951
Average interest rate	—	4.50%	—	—	—	—	4.50%	—	4.50%	—

The following table provides information regarding our foreign currency-sensitive financial instruments and transactions, which consist of restricted bank deposits, bank deposits and cash and cash equivalents as of the dates indicated.

	Expected Maturity Date						As of December 31, 2015		As of December 31, 2014	
	2016	2017	2018	2019	2020	Thereafter	Total Recorded Amount	Fair Value	Total Recorded Amount	Fair Value
On-balance sheet financial instruments										
Restricted bank deposits:										
in U.S. dollars	—	—	—	1	—	—	1	1	1	1
in Hong Kong dollars	—	—	42	—	—	—	42	42	734	734
Bank deposits:										
in U.S. dollars	843	—	—	—	—	—	843	843	279	279
in Hong Kong dollars	2,763	—	—	—	—	—	2,763	2,763	758	758
Cash and cash equivalents:										
in U.S. dollars	1,097	—	—	—	—	—	1,097	1,097	518	518
in Hong Kong dollars	777	—	—	—	—	—	777	777	3,564	3,564

Item 12. Description of Securities Other than Equity Securities.

The Bank of New York Mellon, located at 101 Barclay Street, New York, New York 10286, USA as the depositary of our ADSs, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may refuse to provide delivery of ADSs or deposited shares or to provide any distributions until its fees for those services are paid.

ADR holders must pay:

- US\$5 (or less) per 100 ADSs (or portion thereof)
- US\$0.02 (or less) per ADS
- Registration or transfer fees

For:

- Each issuance of an ADS, including as a result of a distribution of shares or rights or other property
- Each cancellation of an ADS, including if the deposit agreement terminates
- Each distribution of securities, other than shares or ADSs, treating the securities as if they were shares for the purpose of calculating fees
- Any cash distribution (not including cash dividend distribution)
- Transfer and registration of shares on the share register of our transfer agent and the registrar in Hong Kong from an ADR holder's name to the name of the depositary or its agent when the ADR holder deposit or withdraw shares

ADR holders must pay:

- Expenses of the depositary
- Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or share underlying an ADS; for example, stock transfer taxes, stamp duty or withholding taxes

For:

- Conversion of Hong Kong dollars to U.S. dollars
- Cable, telex and facsimile transmission expenses
- As necessary

The Bank of New York Mellon, as the depositary, has agreed to pay for certain expenses incurred in connection with our shareholders' meetings. The amount of such expenses paid by the Bank of New York Mellon in 2015 was US\$177,908.79, net of withholding tax. The Bank of New York Mellon has also agreed to waive certain fees for standard costs associated with the administration of the ADR program, and the amount of such fees waived in 2015 was US\$132,637.09.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

None.

Item 15. Controls and Procedures.

Disclosure Controls and Procedures. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including, without limitation, that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of December 31, 2015, an evaluation was carried out by our management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2015, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Annual Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting is set forth below.

Management's Report on Internal Control Over Financial Reporting

Management of China Mobile Limited (together with its consolidated subsidiaries, the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

As of December 31, 2015, the Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of the Company's internal control over financial reporting using criteria set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company's management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, as stated in their report dated April 26, 2016 appearing on page F-2 of this annual report on Form 20-F.

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive Officer

/s/ XUE Taohai

Name: XUE Taohai

Title: Executive Director, Vice President and Chief Financial Officer

Changes in Internal Control Over Financial Reporting. During 2015, no change to our internal control over financial reporting occurred that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert.

All members of our audit committee have extensive management experience. In particular, one of the members has many years of finance and commercial management experience and expertise. However, members of our audit committee do not possess direct experience or expertise in respect of the evaluation of reports filed with the SEC by SEC-reporting issuers. Our board of directors has determined that we do not currently have an audit committee financial expert, as defined in Item 16A(b) of Form 20-F, serving on our audit committee. Our audit committee may consider appointing, from time to time, an external financial expert as a consultant.

Item 16B. Code of Ethics.

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Deputy Chief Financial Officer, Assistant Chief Financial Officer and our other designated senior officers. A copy of our Code of Ethics for Covered Officers was filed as Exhibit 11.1 to our annual report on Form 20-F for the fiscal year ended December 31, 2003, and may also be downloaded from our website at <http://www.chinamobiletd.com/en/about/cg/ethics.pdf>. Information contained on that website is not a part of this annual report on Form 20-F. Copies of our Code of Ethics for Covered Officers may also be obtained at no charge by writing to our investor relations department at 60/F, The Center, 99 Queen's Road Central, Hong Kong.

Item 16C. Principal Accountant Fees and Services.

The following table sets forth the aggregate audit fees, audit-related fees, tax fees of our principal accountants and all other fees billed for products and services provided by our principal accountants other than the audit fees, audit-related fees and tax fees in 2014 and 2015:

	<u>Audit Fees⁽¹⁾</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees⁽²⁾</u>
	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>	<u>RMB</u>
2014	91,350,000	—	485,000	5,623,000
2015	96,780,000	—	1,057,000	4,421,000

(1) Includes the fees for services rendered in connection with the audit of internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Includes the fees for risk assessment and performance improvement advisory services.

Before our principal accountants were engaged by us or our subsidiaries to render audit or non-audit services, the engagement was approved by our audit committee as required by applicable rules and regulations of the SEC.

Item 16D. Exemptions from the Listing Standards for Audit Committees.

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

None.

Item 16F. Change in Registrant's Certifying Accountant.

Not applicable.

Item 16G. Corporate Governance.

As a foreign private issuer (as defined in Rule 3b-4 under the Exchange Act), we are permitted to follow home country practices in lieu of some of the corporate governance practices required to be followed by U.S. companies listed on the New York Stock Exchange. As a result, our corporate governance practices differ in some respects from those required to be followed by U.S. companies listed on the New York Stock Exchange.

The significant differences between our corporate governance practices and those required to be followed by U.S. companies under the New York Stock Exchange's listing standards include:

Section 303A.01 of the New York Stock Exchange Listed Company Manual provides that listed companies must have a majority of independent directors. As a listed company in Hong Kong, we are subject to the requirement under the Hong Kong Listing Rules that at least one-third of our board of directors be independent non-executive directors as determined under the Hong Kong Listing Rules. We currently have four independent directors out of a total of nine directors. The Hong Kong Listing Rules set forth standards for establishing independence, which differ from those set forth in the New York Stock Exchange Listed Company Manual.

Section 303A.03 of the New York Stock Exchange Listed Company Manual provides that listed companies must schedule regular executive sessions in which non-management directors meet without management participation. As a listed company in Hong Kong, we are subject to the requirement under the Hong Kong Listing Rules that our Chairman should hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the presence of the executive directors.

Section 303A.04 of the New York Stock Exchange Listed Company Manual provides that the nominating/corporate governance committee of a listed company must have a written charter that addresses the committee's purpose and responsibilities, which include, among others, the development and recommendation of corporate governance guidelines to the listed company's board of directors. Our board of directors is responsible for performing the corporate governance duties, including developing and reviewing our policies and practices on corporate governance guidelines.

Section 303A.07 of the New York Stock Exchange Listed Company Manual provides that if an audit committee member simultaneously serves on the audit committee of more than three public companies, and the listed company does not limit the number of audit committees on which its audit committee members serve to three or less, then in each case, the board of directors must determine that such simultaneous service would not impair the ability of such member to effectively serve on the listed company's audit committee and disclose such determination. We are not required, under the applicable Hong Kong law, to make such determination.

Section 303A.10 of the New York Stock Exchange Listed Company Manual provides that listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees. While we are not required, under the Hong Kong Listing Rules, to adopt such a similar code, as required under the Sarbanes-Oxley Act of 2002, we have adopted a code of ethics that is applicable to our principal executive officer, principal financial officer, principal accounting officer or persons performing similar functions.

Section 303A.12(a) of the New York Stock Exchange Listed Company Manual provides that each listed company's chief executive officer must certify to the New York Stock Exchange each year that he or she is not aware of any violation by the company of New York Stock Exchange corporate governance listing standards. Our Chief Executive Officer is not required, under the applicable Hong Kong law, to make similar certifications.

Item 16H. Mine Safety Disclosure.

Not applicable.

PART III

Item 17. Financial Statements.

Not applicable.

Item 18. Financial Statements.

The following financial statements are filed as part of this annual report on Form 20-F.

China Mobile Limited:

<u>Index to Consolidated Financial Statements</u>	F-1
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated statements of comprehensive income</u>	F-4
<u>Consolidated balance sheets</u>	F-6
<u>Consolidated statements of changes in equity</u>	F-9
<u>Consolidated statements of cash flows</u>	F-12
<u>Notes to the consolidated financial statements</u>	F-16

Item 19. Exhibits.

- (a) See Item 18 for a list of the financial statements filed as part of this annual report on Form 20-F.
- (b) Exhibits to this annual report on Form 20-F:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	Articles of Association (as amended). ⁽¹⁰⁾
2.1	We agree to provide the SEC, upon request, copies of instruments defining the rights of holders of our long-term debt.
2.2	Letter of Guarantee from China Mobile Communications Corporation for the RMB3,000 million guaranteed bonds due 2007 and RMB5,000 million guaranteed bonds due 2017, both issued by Guangdong Mobile in 2002 (with English translation). ⁽¹⁾
4.1	Agreement on Sharing of Administrative Services and Administrative Costs, dated April 27, 2004, between China Mobile Communication Co., Ltd. and China Mobile Communications Corporation (with English translation). ⁽²⁾
4.2	Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated July 1, 2004, between China Mobile (Hong Kong) Limited and China Mobile Communications Corporation (with English translation). ⁽³⁾
4.3	Tripartite Agreement on the Transfer of Rights and Obligations Relating to the Interconnection and Settlement Arrangements, dated November 13, 2008, among China Mobile Communications Corporation, China TieTong Telecommunications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.4	TD-SCDMA Network Capacity Leasing Agreement, dated December 29, 2008, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁴⁾
4.5	Telecommunications Services Cooperation Agreement, dated November 6, 2009, between China Mobile Communications Corporation and China Mobile Limited (with English translation). ⁽⁵⁾
4.6	Share Subscription Agreement, dated March 10, 2010, between China Mobile Group Guangdong Co., Ltd. and Shanghai Pudong Development Bank Co., Ltd. (with English summary). ⁽⁵⁾
4.7	Property Leasing and Management Services Agreement for the Years from 2011 to 2013, dated December 21, 2010, between China Mobile Limited and China Mobile Communications Corporation (with English translation). ⁽⁶⁾
4.8	Telecommunications Services Agreement for the Years from 2011 to 2013, dated December 21, 2010, between China Mobile Limited and China Mobile Communications Corporation (with English translation). ⁽⁶⁾

- 4.9 Network Assets Leasing Agreement, dated August 18, 2011, between China Mobile Communications Corporation and China Mobile Limited (with English translation).⁽⁷⁾
- 4.10 Amendment and Transfer Agreement in connection with the Agreement regarding Settlement of Interconnection and Roaming, Transmission Line Leasing, Usage of Spectrum Frequency and Numbering Resources, dated September 13, 2012, between China Mobile Limited, China Mobile International Limited, China Mobile Communications Corporation and China Mobile Communication Co., Ltd. (with English translation).⁽⁸⁾
- 4.11 Trademark License Agreement, dated January 1, 2013, between China Mobile Communications Corporation, China Mobile Limited and China Mobile Communications Limited (with English translation).⁽⁹⁾
- 4.12 Property Leasing and Management Services Agreement for the Years from 2014 to 2016, dated August 15, 2013, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽⁹⁾
- 4.13 Telecommunications Services Agreement for the Years from 2014 to 2016, dated August 15, 2013, between China Mobile Limited and China Mobile Communications Corporation (with English translation).⁽⁹⁾
- 4.14 Promoters' Agreement, dated July 11, 2014, among China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, and China Telecom Corporation Limited (with English translation).⁽¹⁰⁾
- 4.15 Agreement on Purchase of Existing Telecommunications Towers and Related Assets by Issuing Shares and Paying Cash Consideration, dated October 14, 2015, among China Mobile Communication Co., Ltd., China United Network Communications Corporation Limited, China Telecom Corporation Limited, China Reform Holdings Corporation Ltd., and China Tower Corporation Limited (with English translation).
- 4.16 Agreement on the Transfer of Business and Assets of China TieTong Telecommunications Corporation, dated November 27, 2015, between China Mobile TieTong Company Limited and China TieTong Telecommunications Corporation (with English translation).
- 4.17 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Anhui Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.18 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Henan Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.19 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Hebei Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.20 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Guangdong Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.21 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Jiangsu Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.22 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Shandong Co., Ltd. and China Tower Corporation Limited (with English translation).
- 4.23 Share Subscription Agreement, dated January 30, 2016, between China Mobile Group Zhejiang Co., Ltd. and China Tower Corporation Limited (with English translation).
- 8.1 List of Major Subsidiaries.
- 11.1 Code of Ethics.⁽²⁾
- 12.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a).

- 12.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a).
- 13.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b).
- 13.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b).

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- (1) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2002 (File No. 1-14696), filed with the SEC on June 17, 2003.
- (2) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2003 (File No. 1-14696), filed with the SEC on June 17, 2004.
- (3) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-14696), filed with the SEC on June 13, 2005.
- (4) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2008 (File No. 1-14696), filed with the SEC on June 23, 2009.
- (5) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2009 (File No. 1-14696), filed with the SEC on June 7, 2010.
- (6) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2010 (File No. 1-14696), filed with the SEC on April 27, 2011.
- (7) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 1-14696), filed with the SEC on April 25, 2012.
- (8) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 1-14696), filed with the SEC on April 25, 2013.
- (9) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2013 (File No. 1-14696), filed with the SEC on April 25, 2014.
- (10) Incorporated by reference to our Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (File No. 1-14696), filed with the SEC on April 24, 2015.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

CHINA MOBILE LIMITED

By: /s/ LI Yue
Name: LI Yue
Title: Executive Director and
Chief Executive Officer

Date: April 26, 2016

Index to Consolidated Financial Statements

	<u>Page No.</u>
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated statements of comprehensive income</u>	F-4
<u>Consolidated balance sheets</u>	F-6
<u>Consolidated statements of changes in equity</u>	F-9
<u>Consolidated statements of cash flows</u>	F-12
<u>Notes to the consolidated financial statements</u>	F-16

Report of Independent Registered Public Accounting Firm
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF
CHINA MOBILE LIMITED

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows present fairly, in all material respects, the financial position of China Mobile Limited and its subsidiaries (collectively, the “Company”) at December 31, 2015 and December 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The Company’s management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the Management’s Report on Internal Control Over Financial Reporting included in Item 15 of this Annual Report on Form 20-F. Our responsibility is to express opinions on these financial statements and on the Company’s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Beijing, the People's Republic of China

April 26, 2016

Consolidated Statements of Comprehensive Income
for the year ended December 31
(Expressed in Renminbi (“RMB”))

	Note	2015 Million	2014 As restated (Note 2(b)) Million	2013 As restated (Note 2(b)) Million
Operating revenue	4			
Revenue from telecommunications services		584,089	591,602	600,424
Revenue from sales of products and others		84,246	59,907	39,624
		<u>668,335</u>	<u>651,509</u>	<u>640,048</u>
Operating expenses				
Leased lines and network assets		20,668	15,843	14,816
Interconnection		21,668	23,502	25,983
Depreciation		136,832	122,805	111,493
Employee benefit and related expenses	5	74,805	70,385	66,681
Selling expenses		59,850	75,655	91,719
Cost of products sold		89,297	74,495	61,409
Other operating expenses	6	162,293	151,504	136,523
		<u>565,413</u>	<u>534,189</u>	<u>508,624</u>
Profit from operations		102,922	117,320	131,424
Gain on the transfer of Tower Assets	7	15,525	—	—
Other gains	8	1,800	1,171	989
Interest income		15,852	16,270	15,368
Finance costs	9	(455)	(487)	(1,195)
Share of profit of investments accounted for using the equity method	19	8,090	8,248	7,063
Profit before taxation		143,734	142,522	153,649
Taxation	12(a)	(35,079)	(33,179)	(36,746)
PROFIT FOR THE YEAR		108,655	109,343	116,903
Other comprehensive income/(loss) for the year that may be subsequently reclassified to profit or loss:				
Exchange differences on translation of financial statements of overseas entities		603	(169)	(176)
Share of other comprehensive income/(loss) of associates		901	1,224	(767)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>110,159</u>	<u>110,398</u>	<u>115,960</u>

Consolidated Statements of Comprehensive Income (Continued)
for the year ended December 31
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million	2013 As restated (Note 2(b)) Million
Profit attributable to:				
Equity shareholders of the Company		108,539	109,218	116,791
Non-controlling interests		<u>116</u>	<u>125</u>	<u>112</u>
PROFIT FOR THE YEAR		<u>108,655</u>	<u>109,343</u>	<u>116,903</u>
Total comprehensive income attributable to:				
Equity shareholders of the Company		110,043	110,273	115,849
Non-controlling interests		<u>116</u>	<u>125</u>	<u>111</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>110,159</u>	<u>110,398</u>	<u>115,960</u>
Earnings per share – Basic	13(a)	<u>RMB 5.30</u>	<u>RMB 5.38</u>	<u>RMB 5.81</u>
Earnings per share – Diluted	13(b)	<u>RMB 5.30</u>	<u>RMB 5.35</u>	<u>RMB 5.74</u>

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Consolidated Balance Sheets
as of December 31
(Expressed in RMB)

	Note	As of December 31, 2015 Million	As of December 31, 2014 As restated (Note 2(b)) Million
Assets			
Non-current assets			
Property, plant and equipment	14	585,631	605,023
Construction in progress	15	88,012	95,110
Land lease prepayments and others	16	26,773	24,883
Goodwill	17	35,343	35,343
Other intangible assets		768	787
Investments accounted for using the equity method	19	115,933	70,451
Deferred tax assets	20	25,423	20,654
Proceeds receivable for the transfer of Tower Assets	7	56,737	—
Restricted bank deposits	21	4,575	8,731
Other financial assets	22	3	128
		<u>939,198</u>	<u>861,110</u>
Current assets			
Inventories	23	9,994	9,292
Accounts receivable	24	17,743	16,715
Other receivables	25	26,186	14,567
Prepayments and other current assets	25	11,427	15,482
Amount due from ultimate holding company	26	247	112
Tax recoverable		746	702
Available-for-sale financial assets	27	19,167	2,000
Restricted bank deposits	21	15	736
Bank deposits	28	323,330	353,507
Cash and cash equivalents	29	<u>79,842</u>	<u>73,812</u>
		<u>488,697</u>	<u>486,925</u>
Total assets		<u><u>1,427,895</u></u>	<u><u>1,348,035</u></u>

Consolidated Balance Sheets (Continued)
as of December 31
(Expressed in RMB)

	Note	As of December 31, 2015 Million	As of December 31, 2014 As restated (Note 2(b)) Million
Equity and liabilities			
Liabilities			
Current liabilities			
Interest-bearing borrowings	33	—	1,000
Accounts payable	30	243,579	227,577
Bills payable		645	674
Deferred revenue	31	78,100	63,916
Accrued expenses and other payables	32	163,404	138,706
Amount due to ultimate holding company	26	7,276	14,519
Obligations under finance leases		—	68
Current taxation		8,034	6,032
		<u>501,038</u>	<u>452,492</u>
Non-current liabilities			
Interest-bearing borrowings – non-current	33	4,995	4,992
Deferred revenue – non-current	31	1,291	1,470
Deferred tax liabilities	20	203	98
		<u>6,489</u>	<u>6,560</u>
Total liabilities		<u>507,527</u>	<u>459,052</u>

Consolidated Balance Sheets (Continued)
as of December 31
(Expressed in RMB)

	<i>Note</i>	<i>As of December 31, 2015</i> Million	<i>As of December 31, 2014 As restated (Note 2(b)) Million</i>
Equity			
Share capital	35(b)	402,130	400,737
Reserves		<u>515,206</u>	<u>486,179</u>
Total equity attributable to equity shareholders of the Company		917,336	886,916
Non-controlling interests		<u>3,032</u>	<u>2,067</u>
Total equity		<u>920,368</u>	<u>888,983</u>
Total equity and liabilities		<u>1,427,895</u>	<u>1,348,035</u>

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity
for the year ended December 31
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	Total equity Million
As of January 1, 2013 (As previously reported)	2,142	387,183	(292,268)	72	(1,489)	211,610	416,197	723,447	1,862	725,309
Adjusted for business combination under common control (note 2(b))	—	—	29,250	—	(3)	17	(27,753)	1,511	—	1,511
As of January 1, 2013 (As restated)	2,142	387,183	(263,018)	72	(1,492)	211,627	388,444	724,958	1,862	726,820
Changes in equity for 2013:										
Profit for the year	—	—	—	—	—	—	116,791	116,791	112	116,903
Other comprehensive loss	—	—	(767)	—	(175)	—	—	(942)	(1)	(943)
Total comprehensive (loss)/income for the year	—	—	(767)	—	(175)	—	116,791	115,849	111	115,960
Dividends approved in respect of previous year (note 35(a)(ii))	—	—	—	—	—	—	(28,460)	(28,460)	(21)	(28,481)
Dividends declared in respect of current year (note 35(a)(i))	—	—	—	—	—	—	(27,031)	(27,031)	—	(27,031)
Shares issued under share option scheme (note 35(b))	—	60	(17)	—	—	—	—	43	—	43
Transfer to PRC statutory reserves (note 35(c)(ii))	—	—	—	—	—	24,143	(24,119)	24	—	24
Capital injection from ultimate holding company to Target Assets and Businesses (note 35(c)(i))	—	—	33,788	—	—	—	—	33,788	—	33,788
Others	—	—	—	—	1,060	—	(1,060)	—	—	—
As of December 31, 2013 (As restated)	2,142	387,243	(230,014)	72	(607)	235,770	424,565	819,171	1,952	821,123

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity (Continued)
for the year ended December 31
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	Total equity Million
As of January 1, 2014 (As previously reported)	2,142	387,243	(293,052)	72	(600)	235,749	457,219	788,773	1,951	790,724
Adjusted for business combination under common control (note 2(b))	—	—	63,038	—	(7)	21	(32,654)	30,398	1	30,399
As of January 1, 2014 (As restated)	2,142	387,243	(230,014)	72	(607)	235,770	424,565	819,171	1,952	821,123
Changes in equity for 2014:										
Profit for the year	—	—	—	—	—	—	109,218	109,218	125	109,343
Other comprehensive income/(loss)	—	—	1,224	—	(169)	—	—	1,055	—	1,055
Total comprehensive income/(loss) for the year	—	—	1,224	—	(169)	—	109,218	110,273	125	110,398
Dividends approved in respect of previous year (note 35(a)(ii))	—	—	—	—	—	—	(26,044)	(26,044)	(10)	(26,054)
Dividends declared in respect of current year (note 35(a)(i))	—	—	—	—	—	—	(24,880)	(24,880)	—	(24,880)
Shares issued under share option scheme (note 35(b))	9,279	2,073	(3,137)	—	—	—	—	8,215	—	8,215
Transfer to PRC statutory reserves (note 35(c)(ii))	—	—	—	—	—	23,172	(22,991)	181	—	181
Transfer between reserves upon expiry of options (note 34(b))	—	—	(27)	—	—	—	27	—	—	—
Transition to no-par value regime (note 35(b))	389,316	(389,316)	—	—	—	—	—	—	—	—
Others	—	—	—	—	8	—	(8)	—	—	—
As of December 31, 2014 (As restated)	400,737	—	(231,954)	72	(768)	258,942	459,887	886,916	2,067	888,983

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity (Continued)
for the year ended December 31
(Expressed in RMB)

	Attributable to equity shareholders of the Company									
	Share capital Million	Share premium Million	Capital reserve Million	General reserve Million	Exchange reserve Million	PRC statutory reserves Million	Retained profits Million	Total Million	Non-controlling interests Million	Total equity Million
As of January 1, 2015 (As previously reported)	400,737	—	(294,992)	72	(761)	258,918	492,602	856,576	2,067	858,643
Adjusted for business combination under common control (note 2(b))	—	—	63,038	—	(7)	24	(32,715)	30,340	—	30,340
As of January 1, 2015 (As restated)	400,737	—	(231,954)	72	(768)	258,942	459,887	886,916	2,067	888,983
Changes in equity for 2015:										
Profit for the year	—	—	—	—	—	—	108,539	108,539	116	108,655
Other comprehensive income	—	—	901	—	603	—	—	1,504	—	1,504
Total comprehensive income for the year	—	—	901	—	603	—	108,539	110,043	116	110,159
Dividends approved in respect of previous year (note 35(a)(ii))	—	—	—	—	—	—	(22,283)	(22,283)	(21)	(22,304)
Dividends declared in respect of current year (note 35(a)(i))	—	—	—	—	—	—	(25,629)	(25,629)	—	(25,629)
Shares issued under share option scheme (note 35(b))	1,393	—	(369)	—	—	—	—	1,024	—	1,024
Transfer to PRC statutory reserves (note 35(c)(ii))	—	—	—	—	—	20,542	(20,502)	40	—	40
Transfer between reserves upon expiry of options (note 34(b))	—	—	(92)	—	—	—	92	—	—	—
Consideration for business combination under common control (note 2(b))	—	—	(31,967)	—	—	—	—	(31,967)	—	(31,967)
Transfer of assets of entities under common control to the ultimate holding company (note 2(b))	—	—	(808)	—	—	—	—	(808)	—	(808)
Capital injection from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	870	870
As of December 31, 2015	402,130	—	(264,289)	72	(165)	279,484	500,104	917,336	3,032	920,368

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
for the year ended December 31
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million	2013 As restated (Note 2(b)) Million
Operating activities				
Profit before taxation		143,734	142,522	153,649
Adjustments for:				
- Depreciation of property, plant and equipment		136,832	122,805	111,493
- Amortization of other intangible assets	6	274	112	80
- Amortization of land lease prepayments	16	426	407	387
- Gain on the transfer of Tower Assets	7	(15,525)	—	—
- Gain on disposal of property, plant and equipment	6	(4)	(1)	(3)
- Write-off and impairment of property, plant and equipment	6	7,614	2,383	5,145
- Impairment loss of doubtful accounts	6	4,839	5,536	5,126
- Write-down of inventories	6	272	293	202
- Interest income		(15,852)	(16,270)	(15,368)
- Finance costs	9	455	487	1,195
- Dividend income from unlisted securities	8	(11)	—	(34)
- Share of profit of investments accounted for using the equity method	19	(8,090)	(8,248)	(7,063)
- Unrealized exchange loss/(gain), net		182	80	(58)
- Loss on disposal of a subsidiary		—	—	18
- Impairment loss of goodwill	6	—	1,594	—
- Gain on disposal of other financial assets		(14)	—	—
Operating cash flows before changes in working capital		255,132	251,700	254,769
Increase in inventories		(1,005)	(271)	(2,113)
Increase in accounts receivable		(5,830)	(8,165)	(7,288)
Increase in other receivables		(1,341)	(960)	(239)
Decrease/(increase) in prepayments and other current assets		276	(8,010)	(2,217)
(Increase)/decrease in amount due from ultimate holding company		(135)	(18)	12
(Decrease)/increase in accounts payable		(6,832)	8,191	3,498
Increase/(decrease) in bills payable		12	(144)	(563)
Increase in deferred revenue		14,005	1,200	4,205
Increase in accrued expenses and other payables		18,633	7,722	20,088
(Decrease)/increase in amount due to ultimate holding company		(32)	4,249	(17)
Cash generated from operations		272,883	255,494	270,135
Tax paid				
- Hong Kong profits tax paid		(232)	(272)	(27)
- PRC enterprise income tax paid		(37,562)	(38,784)	(43,203)
Net cash generated from operating activities		<u>235,089</u>	<u>216,438</u>	<u>226,905</u>

Consolidated Statements of Cash Flows (Continued)
for the year ended December 31
(Expressed in RMB)

		2015	2014	2013
	Note	Million	As restated (Note 2(b)) Million	As restated (Note 2(b)) Million
Investing activities				
Capital expenditure		(172,243)	(174,673)	(148,063)
Land lease prepayments		(1,450)	(1,028)	(1,058)
Acquisition of other intangible assets		(212)	(23)	(355)
Proceeds from disposal of property, plant and equipment		7	2	50
Decrease/(increase) in bank deposits		30,177	21,620	(42,632)
Decrease/(increase) in restricted bank deposits		4,877	(2,609)	(1,399)
Interest received		15,655	14,513	12,472
Proceeds from disposal of a joint venture		—	—	6
Proceeds from disposal of a subsidiary		—	—	124
Payment for investment accounted for using the equity method	19	(376)	(9,508)	(1,363)
Dividends received from associates	19	2,842	2,476	2,062
Dividends received from unlisted securities	8	11	—	34
Purchase of available-for-sale financial assets		(24,965)	(2,000)	—
Maturity of available-for-sale financial assets		8,294	—	—
Short-term loans granted by China Mobile Finance and other investments	25	(5,500)	—	—
Proceeds from disposal of other financial assets		140	—	—
Net cash used in investing activities		<u>(142,743)</u>	<u>(151,230)</u>	<u>(180,122)</u>

Consolidated Statements of Cash Flows (Continued)
for the year ended December 31
(Expressed in RMB)

	Note	2015 Million	2014 As restated (Note 2(b)) Million	2013 As restated (Note 2(b)) Million
Financing activities				
Proceeds from issuance of shares under share option scheme	35(b)	1,024	8,215	43
Capital injection from ultimate holding company to Target Assets and Businesses	35(c)(i)	—	—	33,788
Capital injection from non-controlling shareholders of a subsidiary		870	—	—
Interest paid		(442)	(480)	(1,284)
Dividends paid to the Company's equity shareholders	35(a)	(47,912)	(50,924)	(55,491)
Dividends paid to non-controlling shareholders of subsidiaries		(21)	(10)	(21)
Consideration for business combination under common control	2(b)	(31,880)	—	—
Proceeds from entrusted loans	36(a)	8,592	10,242	43,661
Repayment of entrusted loans	36(a)	(18,834)	(9,573)	(67,875)
Short-term deposits placed by ultimate holding company	36(a)	7,274	—	—
Maturity of short-term deposits placed by ultimate holding company	36(a)	(4,181)	—	—
Repayment of bonds	33	(1,000)	—	—
Repayment of deferred considerations and other borrowings		—	—	(24,133)
Net cash used in financing activities		<u>(86,510)</u>	<u>(42,530)</u>	<u>(71,312)</u>
Net increase/(decrease) in cash and cash equivalents		5,836	22,678	(24,529)
Cash and cash equivalents at beginning of year		73,812	51,180	75,764
Effect of changes in foreign exchange rate		<u>194</u>	<u>(46)</u>	<u>(55)</u>
Cash and cash equivalents at end of year	29	<u>79,842</u>	<u>73,812</u>	<u>51,180</u>

Consolidated Statements of Cash Flows (Continued)
for the year ended December 31
(Expressed in RMB)

Significant non-cash transactions

The Group recorded payables of RMB125,210,000,000 (2014: RMB120,327,000,000; 2013: RMB103,001,000,000) to equipment suppliers as of December 31, 2015 for additions of construction in progress during the year then ended.

On October 31, 2015, the Group completed the transfer of its telecommunications towers and related assets to China Tower Corporation Limited (“China Tower”). In addition to 45,151,000,000 equity shares at a par value of RMB1 per share issued to the Group by China Tower to pay the consideration, China Tower would also pay cash consideration of RMB57,585,000,000. In February 2016, China Tower has paid RMB5,000,000,000, and the remaining balance of cash consideration is deferred and will be settled before December 31, 2017. See note 7 for details.

The notes on pages F-16 to F-97 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
(Expressed in RMB unless otherwise indicated)

1 GENERAL INFORMATION

China Mobile Limited (the “Company”) was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”) on September 3, 1997. The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are the provision of telecommunications and related services in Mainland China and in Hong Kong (For the purpose of preparing these consolidated financial statements, Mainland China refers to the PRC excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan). The Company’s immediate holding company is China Mobile Hong Kong (BVI) Limited (incorporated in British Virgin Islands), and the Company’s ultimate holding company is China Mobile Communications Corporation (“CMCC”). The address of the Company’s registered office is 60th Floor, The Center, 99 Queen’s Road Central, Hong Kong.

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the “HKEx”) on October 23, 1997 and the American Depositary Shares of the Company were listed on the New York Stock Exchange on October 22, 1997.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations issued by the IASB. A summary of the significant accounting policies adopted by the Group is set out below.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation

The consolidated financial statements comprise the Group and the Group's interest in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Acquisition of Target Assets and Businesses from China Tietong Telecommunications Corporation

On November 27, 2015, China Mobile TieTong Company Limited (“CM TieTong”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement with China Tietong Telecommunications Corporation (“TieTong”), a wholly-owned subsidiary of CMCC, under which CM TieTong has agreed to acquire, and TieTong has agreed to sell, certain assets, businesses and related liabilities as well as its related employees in relation to the fixed-line telecommunications operations (“Target Assets and Businesses”). The final consideration for the acquisition of the Target Assets and Businesses based on the acquisition agreement was RMB31,967,000,000. The acquisition was completed on December 31, 2015 (“Completion Date”).

The acquisition of the Target Assets and Businesses was considered as a business combination under common control as CM TieTong and the Target Assets and Businesses are both ultimately controlled by CMCC.

Under IFRSs, the acquisition of the Target Assets and Businesses was accounted for using merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“AG 5”) issued by the Hong Kong Institute of Certified Public Accountants (note 2(c)). Accordingly, the acquired Target Assets and Businesses are stated at predecessor values, and were included in the consolidated financial statements from the beginning of the earliest period presented as if the Target Assets and Businesses acquired had always been part of the Group. As a result, the Group has restated the 2013 and 2014 comparative amounts of the consolidated statements of comprehensive income by including the operating results of Target Assets and Businesses and eliminating its transactions with the Target Assets and Businesses, as if the acquisition had been completed on the earliest date of the periods being presented, i.e., January 1, 2013. The consolidated balance sheets of the Group as of December 31, 2014 was restated to include the assets and liabilities of Target Assets and Businesses. Certain assets that had not been acquired by the Group were included in the consolidated financial statements before the Completion Date, as they formed an integral part of the Target Assets and Businesses. Upon the completion of the acquisition of the Target Assets and Businesses on December 31, 2015, these assets amounting to RMB808,000,000 were recorded as a distribution to the ultimate holding company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation (Continued)

Acquisition of the Target Assets and Businesses from China Tietong Telecommunications Corporation (Continued)

The following is a reconciliation of the effect arising from the common control combination on the consolidated statements of comprehensive income and consolidated balance sheets in connection with the acquisition of Target Assets and Businesses:

	<i>The Group As previously reported Million</i>	<i>Effect arising from acquisition of Target Assets and Businesses Million</i>	<i>The Group As restated Million</i>
Profit for the year ended December 31, 2013	121,803	(4,900)	116,903
Profit for the year ended December 31, 2014	109,405	(62)	109,343
Net assets as of December 31, 2014	858,643	30,340	888,983

	<i>The Group Million</i>	<i>Effect arising from acquisition of Target Assets and Businesses Million</i>	<i>The Group As reported Million</i>
Profit for the year ended December 31, 2015	108,661	(6)	108,655
Net assets as of December 31, 2015	890,828	29,540	920,368

The effect arising from the acquisition of Target Assets and Businesses has included the operating results, assets and liabilities of Target Assets and Businesses and the elimination on its transactions with the Group. The effect amounting to RMB29,540,000,000 as of December 31, 2015 was offset by the cash consideration of RMB31,967,000,000, resulting a decrease of RMB2,427,000,000 in the Group's net assets.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized gains arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries and non-controlling interests (Continued)

(ii) Business combination other than under common control

The Group applies the acquisition method to account for business combination of entities and businesses which are not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

(iii) Business combination under common control

Under IFRSs, the Group use merger accounting to account for the business combination of entities and businesses under common control in accordance with AG 5.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined using the carrying book values from the controlling parties' perspective. No amount is recognized in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the consideration at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination. Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the period in which they were incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments accounted for using the equity method

Investments accounted for using the equity method include investment in associates and joint ventures.

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Under the equity method, the investment is initially recorded at cost. Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)). The Group's share of the post-acquisition post-tax results of the investee for the year is recognized as share of profit or loss of investments accounted for using the equity method in the consolidated statements of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognized as its share of other comprehensive income in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint ventures, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest in the investee is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associates or joint ventures.

Unrealized profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss. Accounting policies of associates or joint ventures would be changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognized immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)). Each unit or groups of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purpose. Goodwill is monitored at the operating segment level.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

(f) Other intangible assets

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(j)). Amortization of intangible assets with finite useful lives is recorded in other operating expenses on a straight-line basis over the assets' estimated useful lives, from the date they are available for use. Both the period and method of amortization are reviewed annually.

Intangible assets are not amortized where their useful lives are assessed to be indefinite. The useful life of an intangible asset that is not being amortized is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. Otherwise, the change in useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

2 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(g) Other financial assets

Other financial assets represent investments in unquoted equity securities (other than investments in subsidiaries and interest in associates), which are recognized in the balance sheet at cost less impairment losses (see note 2(j)) when those investments in equity securities do not have a quoted market price in an active market and their fair value cannot be reliably measured.

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(j)).

The cost of property, plant and equipment comprises the purchase price and any directly attributable costs of bringing the asset to its working location and condition for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the entity. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	8 - 30 years
Telecommunications transceivers, switching centers, transmission and other network equipment	5 - 10 years
Office equipment, furniture, fixtures and others	3 - 10 years

Both the assets' useful lives and residual values, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets is included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided for at rates, which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the useful life of the asset as set out in note 2(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(j). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred. There were no contingent rentals recognized by the Group during the years presented.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred. There were no contingent rentals recognized by the Group during the years presented.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets (Continued)

(iv) Sale and leaseback

A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved. If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount shall not be immediately recognized as income by a seller-lessee. Instead, it shall be deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss shall be recognized immediately. If the sale price is below fair value, any profit or loss shall be recognized immediately except that, if the loss is compensated for by future lease payments at below market price, it shall be deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value shall be deferred and amortized over the period for which the asset is expected to be used.

(j) Impairment of assets

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables

Investments in equity securities (other than investments in subsidiaries), available-for-sale financial assets and receivables are reviewed at the end of each reporting date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the entity;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the entity will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the entity; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For investment accounted for using the equity method (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for such equity securities are not reversed.
- For debt instruments classified as available-for-sale financial assets, if any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss. For equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any impairment evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(i) Impairment of investments in equity securities, available-for-sale financial assets and receivables (Continued)

- For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group. If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill and intangible assets with indefinite useful lives, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- prepaid interests in leasehold land classified as being held under an operating lease;
- investments in subsidiaries;
- goodwill; and
- other intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

(k) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 2(j)). Cost comprises direct costs of construction as well as interest expense and exchange differences capitalized during the periods of construction and installation.

Capitalization of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Inventories

Inventories are carried at the lower of cost and net realizable value. Cost represents purchase cost of goods calculated using the weighted average cost method. Net realizable value is determined by reference to the sales proceeds of items sold in the ordinary course of business or to management's estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognized as cost of products sold. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs. No reversal of any write-down of inventories occurred during the years presented.

(m) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method less allowance for impairment loss (see note 2(j)), except where the effect of discounting would be immaterial.

(n) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Regular way purchases and sales of available-for-sale financial assets are recognized on the trade-date (the date on which the Group commits to purchase or sell the asset). The investments are initially recognized at fair value plus transaction costs and are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income.

Available-for-sale financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognized in equity is removed and recognized in profit or loss.

Interest on available-for-sale debt instruments calculated using the effective interest method is recognized in profit or loss. Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive payments is established.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Deferred revenue

Deferred revenue consists primarily of prepaid service fees received from customers which are generally not refundable and revenue deferred for unredeemed point rewards under Customer Point Reward Program ("Reward Program", see note 2(s)(iv)).

The prepaid service fees are stated at the amount of proceeds received less the amount already recognized as revenue.

(p) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(q) Accounts payable and other payables

Accounts payable and other payables are initially recognized at fair value and subsequently stated at amortized cost unless the effect of discounting would be immaterial.

(r) Cash and cash equivalents

Cash and cash equivalents comprise bank deposits with original maturity within three months, cash at banks and in hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

- (i) revenue derived from voice and data services are recognized when the service is rendered;
- (ii) sales of products are recognized when the title is passed to the buyer;
- (iii) for offerings which include the provision of services and sale of mobile handset, the Group determines the revenue from the sale of the mobile handset by deducting the fair value of the service element from the total contract consideration; and
- (iv) for transactions which offer customer points reward when services are provided, the consideration allocated to the customer points reward is based on its fair value which is recorded as deferred revenue when the rewards are granted and recognized as revenue when the points are redeemed or expired.

(t) Interest income

Interest income is recognized as it accrues using the effective interest method.

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries and associates to the extent that, in the case of taxable temporary differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(v) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be estimated reliably. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, leave passage, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (Continued)

(i) Short-term employee benefits and contributions to defined contribution retirement plans (Continued)

The Company and subsidiaries incorporated in Hong Kong are required to make contributions to Mandatory Provident Funds under the Hong Kong Mandatory Provident Fund (“MPF”) Schemes Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Such contributions are recognized as an expense in profit or loss as incurred.

The employees of the subsidiaries in Mainland China participate in the defined contribution retirement plans managed by the local government authorities whereby the subsidiaries are required to contribute to the schemes at fixed rates of the employees’ salary costs. In addition to the local governmental defined contribution retirement plans, the subsidiaries also participate in a pension scheme launched by the Group managed by an independent insurance company whereby the subsidiaries are required to make contributions to the retirement plans at fixed rates of the employees’ salary costs or in accordance with the terms of the plans. The Group’s contributions to these plans are charged to profit or loss when incurred.

The Company and subsidiaries have no obligations for the payment of retirement and other post-retirement benefits of staff other than the contributions described above.

(ii) Share-based payments

The fair value of share options granted to employees is recognized as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Employee benefits (Continued)

(ii) Share-based payments (Continued)

During the vesting period, the number of share options that is expected to vest is reviewed at each balance sheet date. Any resulting adjustment to the cumulative fair value recognized in prior years is credited/charged to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognized in the capital reserve until either the option is exercised (when it is transferred to the share capital account (share premium account before March 3, 2014)) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognized when, and only when, the Group demonstrably commits itself to terminate employment which is without realistic possibility of withdrawal or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceased when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Translation of foreign currencies

The functional currency of major entities within the Group is RMB. The Group adopted RMB as its presentation currency in the preparation of the financial statements, which is the currency of the primary economic environment in which most of the Group's entities operate.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in currencies other than the functional currency are retranslated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of overseas entities are translated into RMB at the exchange rates approximating the foreign exchange rate ruling at the dates of transactions. Balance sheet items are translated into RMB at the exchange rates ruling at the balance sheet date. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of an overseas entity, the cumulative amount of the exchange differences relating to that particular foreign operation is reclassified from equity to profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas entities within the Group are translated into RMB by using the exchange rates approximating the foreign exchange rate ruling at the dates of the cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) The entity is controlled or jointly controlled by a person identified in note 2(z)(a); or
 - (vii) A person identified in note 2(z)(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") in order to allocate resources and assess performance of the segment. The CODM has been identified as the Executive Directors of the Company. For the years presented, the Group as a whole is an operating segment since the Group is only engaged in telecommunications and related businesses. No geographical information has been disclosed as the majority of the Group's operating activities are carried out in Mainland China. The Group's assets located and operating revenue derived from activities outside Mainland China are less than 5% of the Group's assets and operating revenue, respectively.

(ab) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 CHANGES IN ACCOUNTING POLICIES

The Group has adopted certain amended IFRS effective for accounting period beginning on January 1, 2015. Details of the adoption are as follows:

- Amendment to IAS 19, "Employee Benefits".
- Amendments from annual improvements to IFRSs 2010–2012 Cycle, on IFRS 8, "Operating Segments", IAS 16, "Property, Plant and Equipment", IAS 38, "Intangible Assets" and IAS 24, "Related Party Disclosures".
- Amendments from annual improvements to IFRSs 2011–2013 Cycle, on IFRS 3, "Business Combinations", IFRS 13, "Fair Value Measurement" and IAS 40, "Investment Property".

The adoption of the above amended standards did not have material impact on the Group's financial statements. The Group did not apply any other amendments, new standards or interpretation that is not yet effective for the current accounting year (see note 41).

4 OPERATING REVENUE

	2015 Million	2014 <i>As restated</i> Million	2013 <i>As restated</i> Million
Revenue from telecommunications services			
Voice services	261,896	313,476	360,425
Data services	303,425	258,462	211,973
Others	<u>18,768</u>	<u>19,664</u>	<u>28,026</u>
	584,089	591,602	600,424
Revenue from sales of products and others	<u>84,246</u>	<u>59,907</u>	<u>39,624</u>
	<u>668,335</u>	<u>651,509</u>	<u>640,048</u>

On April 29, 2014, a notification (the “Cai Shui [2014] No. 43”) was jointly issued by the Ministry of Finance and the State Administration of Taxation of the People’s Republic of China (“SAT”), and as approved by the State Council of the People’s Republic of China, the telecommunications industry would be included in the scope of the pilot program for the transformation from business tax to value-added tax (the “VAT Program”) from June 1, 2014. According to the Cai Shui [2014] No. 43, the value-added tax rates for the provision of basic telecommunications services and value-added telecommunications services are 11% and 6%, respectively. With the implementation of the VAT Program from June 1, 2014, the Group is not required to pay the business tax of 3% on the telecommunications services.

5 EMPLOYEE BENEFIT AND RELATED EXPENSES

	2015 Million	2014 <i>As restated</i> Million	2013 <i>As restated</i> Million
Salaries, wages, labor service expenses and other benefits	67,622	64,715	61,834
Retirement costs: contributions to defined contribution retirement plans	<u>7,183</u>	<u>5,670</u>	<u>4,847</u>
	<u>74,805</u>	<u>70,385</u>	<u>66,681</u>

In accordance with requirements of reducing the proportion of labor sourced by third parties that provide services to the Group (“outsourcing labor”) among total labor under “Amendment to Labor Contract Law of the PRC” and its associated rules and regulations, the Group has made adjustment on the structure of employees and outsourcing labor. Such adjustment leads to the increase in number of employees and the decrease in number of outsourcing labor in 2015. In order to reasonably reflect the composition and fluctuation of employee benefit and related expenses, the Group presents employee benefit and related expenses by combining personnel expenses and labor service expenses, the latter of which was presented under other operating expenses prior to 2015. The comparative figures have been presented on the same basis.

6 OTHER OPERATING EXPENSES

	Note	2015 Million	2014 As restated Million	2013 As restated Million
Maintenance		53,991	52,883	45,981
Impairment loss of doubtful accounts		4,839	5,536	5,126
Impairment loss of goodwill (note 17)		—	1,594	—
Write-down of inventories		272	293	202
Amortization of other intangible assets		274	112	80
Operating lease charges				
- land and buildings		13,447	12,722	11,025
- others	(i)	6,186	4,834	3,858
Gain on disposal of property, plant and equipment		(4)	(1)	(3)
Write-off and impairment of property, plant and equipment (note 14)		7,614	2,383	5,145
Auditors' remuneration				
- audit services	(ii)	97	91	85
- tax services		1	—	1
- other services		4	6	6
Others	(iii)	75,572	71,051	65,017
		<u>162,293</u>	<u>151,504</u>	<u>136,523</u>

Note:

- (i) Other operating lease charges represent the operating lease charges for motor vehicles, computer and other office equipment.
- (ii) Audit services include reporting on the Group's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of the United States of America with the service fee amount of RMB20,000,000 (2014: RMB20,000,000; 2013: RMB18,000,000).
- (iii) Others consist of office expenses, utilities charges, travelling expenses, entertainment expenses, spectrum charges, consultancy and professional fees, consumables and supplies, and other miscellaneous expenses.

7 GAIN ON THE TRANSFER OF TOWER ASSETS

In 2014, China Mobile Communication Co., Ltd. (“CMC”), a wholly-owned subsidiary of the Company, entered into an agreement with China United Network Communications Corporation Limited (“China Unicom”) and China Telecom Corporation Limited (“China Telecom”) to establish China Tower. Pursuant to the agreement, CMC contributed RMB4,000,000,000 in cash, which represents 40.0% of the registered capital of China Tower upon its establishment. China Tower engages in construction, maintenance and operation of telecommunications towers. The Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of China Tower.

On October 14, 2015, CMC, jointly with China Unicom, China Telecom, and China Reform Holdings Corporation Ltd. (“CRHC”), entered into an agreement with China Tower, pursuant to which China Tower (i) purchased telecommunications towers and related assets (“Tower Assets”) from CMC, China Unicom and China Telecom and (ii) issued new equity shares to CRHC. The consideration of Tower Assets was determined based on the appraised value and subject to adjustment in accordance with the terms of the transaction agreement by each party as of the date of delivery. China Tower agreed to settle the consideration by way of issuing its equity shares to each party, plus cash consideration equalling to the excess of total consideration over the amount settled by equity shares. Upon completion of the above transactions, China Tower would be owned by CMC, China Unicom, China Telecom and CRHC with their respective shares of equity interests of 38.0%, 28.1%, 27.9% and 6.0%.

On October 31, 2015, CMC completed the transfer of its Tower Assets to China Tower. In return, China Tower issued 45,151,000,000 equity shares at a par value of RMB1 per share to CMC. In addition, China Tower shall pay CMC the remaining cash consideration of RMB57,585,000,000, within which China Tower has made the first payment of RMB5,000,000,000 in February 2016. The remaining balance of cash consideration amounting to RMB52,585,000,000 is deferred and to be settled before December 31, 2017. In addition, China Tower will pay interest associated with the unpaid cash consideration to CMC from November 1, 2015 at a pre-determined interest rate, which is 90% of the financial institution’s one year benchmark lending rate announced by the People’s Bank of China (“PBOC”) on the completion date of the transaction, i.e. October 31, 2015.

7 GAIN ON THE TRANSFER OF TOWER ASSETS (CONTINUED)

The gain arising from the transfer of CMC's Tower Assets, which has eliminated unrealized profits due to the Group's interest in China Tower, is recorded as "Gain on the transfer of Tower Assets" in the consolidated statements of comprehensive income for the year ended December 31, 2015. The following table summarizes the calculation of the gain on the transfer of Tower Assets:

	2015 Million
Total consideration	102,736
- Consideration in equity shares	45,151
- Consideration in cash, deferred and undiscounted	57,585
Net book value of the Tower Assets	(78,763)
Taxes, surcharges and others	(2,260)
Elimination of unrealized profits resulting from transactions between the Group and its associate	(6,188)
Gain on the transfer of Tower Assets	<u>15,525</u>

The gain, net of taxation, on transfer of Tower Assets, after considering the income tax effect associated with the transfer of Tower Assets, amounted to RMB10,096,000,000.

Upon the completion of the transfer of Tower Assets, based on the proposed pricing calculation mechanism of Tower Assets' usage and the actual usage, the Company has accrued the corresponding expense of approximately RMB5,563,000,000 in the Group's consolidated statements of comprehensive income for the year ended December 31, 2015.

8 OTHER GAINS

	2015 Million	2014 <i>As restated</i> Million	2013 <i>As restated</i> Million
Penalty income	658	515	411
Dividend income from unlisted securities	11	—	34
Others	<u>1,131</u>	<u>656</u>	<u>544</u>
	<u>1,800</u>	<u>1,171</u>	<u>989</u>

9 FINANCE COSTS

	2015 Million	2014 <i>As restated</i> Million	2013 <i>As restated</i> Million
Interest on bonds	257	274	273
Interest on entrusted loans and bank deposits (note 36(a))	194	211	862
Others	<u>4</u>	<u>2</u>	<u>122</u>
Total borrowings costs	455	487	1,257
Less: Amount capitalized as construction in progress	—	—	(62)
	<u>455</u>	<u>487</u>	<u>1,195</u>

10 DIRECTORS' REMUNERATION

Directors' remuneration is as follows:

	<i>Directors' fees '000</i>	<i>Salaries, allowances and bonuses '000</i>	<i>Contributions relating to social insurance, housing fund and retirement scheme '000</i>	<i>2015 Total '000</i>
Executive directors (Expressed in RMB)				
SHANG Bing*	—	106.7	30.0	136.7
XI Guohua**	—	376.6	113.0	489.6
LI Yue (Chief Executive Officer)	—	437.1	137.8	574.9
XUE Taohai	—	386.9	134.6	521.5
HUANG Wenlin***	—	138.8	21.6	160.4
SHA Yuejia	—	365.4	132.7	498.1
LIU Aili	—	365.4	132.7	498.1
	<u>—</u>	<u>2,176.9</u>	<u>702.4</u>	<u>2,879.3</u>

Independent non-executive directors (Expressed in Hong Kong dollar)

LO Ka Shui	325.0	—	—	325.0
WONG Kwong Shing, Frank	470.0	—	—	470.0
CHENG Mo Chi, Moses	440.0	—	—	440.0
CHOW Man Yiu, Paul	330.0	—	—	330.0
	<u>1,565.0</u>	<u>—</u>	<u>—</u>	<u>1,565.0</u>

	<i>Directors' fees '000</i>	<i>Salaries, allowances and benefits in kind '000</i>	<i>Performance related bonuses '000</i>	<i>Retirement scheme contributions '000</i>	<i>2014 Total '000</i>
<i>(Expressed in Hong Kong dollar)</i>					
Executive directors					
XI Guohua	180	1,174	565	256	2,175
LI Yue (Chief Executive Officer)	180	1,067	513	234	1,994
XUE Taohai	180	960	462	210	1,812
HUANG Wenlin	180	960	462	210	1,812
SHA Yuejia	180	960	462	210	1,812
LIU Aili	180	960	462	210	1,812
Independent non-executive directors					
LO Ka Shui	325	—	—	—	325
WONG Kwong Shing, Frank	470	—	—	—	470
CHENG Mo Chi, Moses	440	—	—	—	440
CHOW Man Yiu, Paul	330	—	—	—	330
	<u>2,645</u>	<u>6,081</u>	<u>2,926</u>	<u>1,330</u>	<u>12,982</u>

10 DIRECTORS' REMUNERATION (CONTINUED)

Directors' remuneration is as follows (Continued):

<i>(Expressed in Hong Kong dollar)</i>	<i>Directors' fees '000</i>	<i>Salaries, allowances and benefits in kind '000</i>	<i>Performance related bonuses '000</i>	<i>Retirement scheme contributions '000</i>	<i>2013 Total '000</i>
Executive directors					
XI Guohua	180	1,174	634	287	2,275
LI Yue (Chief Executive Officer)	180	1,067	577	263	2,087
XUE Taohai	180	960	520	237	1,897
HUANG Wenlin	180	960	520	237	1,897
SHA Yuejia	180	960	520	236	1,896
LIU Aili	180	960	520	236	1,896
Independent non-executive directors					
LO Ka Shui	399	—	—	—	399
WONG Kwong Shing, Frank	458	—	—	—	458
CHENG Mo Chi, Moses	440	—	—	—	440
CHOW Man Yiu, Paul****	194	—	—	—	194
	<u>2,571</u>	<u>6,081</u>	<u>3,291</u>	<u>1,496</u>	<u>13,439</u>

* Mr. SHANG Bing was appointed as an executive director and chairman of the Company with effect from September 10, 2015.

** Mr. XI Guohua resigned from the position as executive director and chairman of the Company with effect from August 24, 2015.

*** Madam HUANG Wenlin resigned from the position as executive director of the Company with effect from March 19, 2015.

**** Mr. Paul CHOW Man Yiu has been appointed as an Independent Non-executive Director of the Company with effect from May 30, 2013.

In 2015, executive directors of the Company voluntarily waived their directors' fees.

The unpaid portion of executive directors' performance related bonuses for 2015 will be paid based on the evaluation conducted in 2016, and the additional bonuses related to their term of service will be paid based on the evaluation conducted upon the completion of three-year evaluation period.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2013 and 2014, all of the five individuals with the highest emoluments are directors whose emoluments are disclosed in note 10.

For the year ended December 31, 2015, none of the five individuals with the highest emoluments in the Group are directors. The emoluments payable to the five individuals during 2015 are as follows:

(Expressed in RMB)	2015 '000
Salaries, allowances and benefits in kind	8,134.8
Performance related bonuses	1,814.1
Retirement scheme contributions	148.2
	<u>10,097.1</u>

The emoluments fell within the following bands:

	Number of individuals 2015
Emolument bands (in RMB)	
1,500,001 - 2,000,000	4
2,000,001 - 2,500,000	<u>1</u>

12 TAXATION

(a) Taxation in the consolidated statements of comprehensive income represents:

	Note	2015 Million	2014 As restated Million	2013 As restated Million
Current tax				
Provision for Hong Kong profits tax on the estimated assessable profits for the year	(i)	164	113	173
Provision for the PRC enterprise income tax on the estimated taxable profits for the year	(ii)	<u>39,588</u> 39,752	<u>36,204</u> 36,317	<u>40,420</u> 40,593
Deferred tax				
Origination and reversal of temporary differences (note 20)	(iii)	<u>(4,673)</u>	<u>(3,138)</u>	<u>(3,847)</u>
		<u>35,079</u>	<u>33,179</u>	<u>36,746</u>

Note:

- (i) The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%; 2013: 16.5%) of the estimated assessable profits for the year ended December 31, 2015.
- (ii) The provision for the PRC enterprise income tax is based on the statutory tax rate of 25% (2014: 25%; 2013: 25%) on the estimated taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended December 31, 2015. Certain subsidiaries of the Company enjoy the preferential tax rate of 15% (2014: 15%; 2013: 15%).
- (iii) Deferred taxes of the Group are recognized based on tax rates that are expected to apply to the periods when the temporary differences are realized or settled.
- (iv) On April 22, 2009, SAT issued the “Notice regarding Matters on Determination of Tax Residence Status of Chinese-controlled Offshore Incorporated Enterprises under Rules of Effective Management” (“2009 Notice”). The Company is qualified as a PRC offshore-registered resident enterprise for purposes of the 2009 Notice. In accordance with the 2009 Notice and the PRC enterprise income tax law, the dividend income of the Company from its subsidiaries in the PRC is exempted from PRC enterprise income tax.

12 TAXATION (CONTINUED)

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2015	2014	2013
	Million	As restated Million	As restated Million
Profit before taxation	143,734	142,522	153,649
Notional tax on profit before tax, calculated at the PRC's statutory tax rate of 25% (note)	35,934	35,631	38,412
Tax effect of non-taxable items			
- Share of profit of associates	(2,023)	(2,062)	(1,766)
- Interest income	(31)	(26)	(31)
Tax effect of non-deductible expenses on the PRC operations	986	693	548
Tax effect of non-deductible expenses on Hong Kong operations	68	46	54
Rate differential of certain PRC operations (note 12(a)(ii))	(1,576)	(1,329)	(1,243)
Rate differential on Hong Kong operations	(122)	(107)	(95)
Tax effect of goodwill impairment loss	—	398	—
Tax credit on purchase of domestic telecommunications equipment	—	—	(9)
Tax effect of unrecognized temporary difference	98	—	533
Tax effect of unrecognized tax loss for which no deferred tax asset was recognized	356	116	98
Tax effect on the eliminated unrealized profits related to the transfer of Tower Assets	1,547	—	—
Others	(158)	(181)	245
Taxation	<u>35,079</u>	<u>33,179</u>	<u>36,746</u>

Note: The PRC's statutory tax rate is adopted as the majority of the Group's operations are subject to this rate.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,539,000,000 (2014: RMB109,218,000,000; 2013: RMB116,791,000,000) and the weighted average number of 20,473,119,088 shares (2014: 20,293,253,516 shares; 2013: 20,101,232,387 shares) in issue during the year, calculated as follows:

Weighted average number of shares

	<i>2015 Number of shares</i>	<i>2014 Number of shares</i>	<i>2013 Number of shares</i>
Issued shares as of January 1	20,438,426,514	20,102,539,665	20,100,340,600
Effect of share options exercised	<u>34,692,574</u>	<u>190,713,851</u>	<u>891,787</u>
Weighted average number of shares in issue during the year	<u>20,473,119,088</u>	<u>20,293,253,516</u>	<u>20,101,232,387</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year is based on the profit attributable to equity shareholders of the Company of RMB108,539,000,000 (2014: RMB109,218,000,000; 2013: RMB116,791,000,000) and the weighted average number of 20,479,705,763 shares (2014: 20,408,441,343 shares; 2013: 20,343,120,320 shares), calculated as follows:

Weighted average number of shares (diluted)

	<i>2015 Number of shares</i>	<i>2014 Number of shares</i>	<i>2013 Number of shares</i>
Weighted average number of shares in issue during the year	20,473,119,088	20,293,253,516	20,101,232,387
Dilutive equivalent shares arising from share options	<u>6,586,675</u>	<u>115,187,827</u>	<u>241,887,933</u>
Weighted average number of shares (diluted) during the year	<u>20,479,705,763</u>	<u>20,408,441,343</u>	<u>20,343,120,320</u>

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings Million	Telecommunications transceivers, switching centers, transmission and other network equipment Million	Office equipment, furniture, fixtures and others Million	Total Million
Cost:				
As of January 1, 2014 (As previously reported)	126,205	927,634	19,334	1,073,173
Acquisition of Target Assets and Businesses (note 2(b))	<u>3,735</u>	<u>76,876</u>	<u>830</u>	<u>81,441</u>
As of January 1, 2014 (As restated)	129,940	1,004,510	20,164	1,154,614
Additions	184	801	835	1,820
Transferred from construction in progress	13,906	191,950	1,998	207,854
Disposals	(3)	(7)	(10)	(20)
Assets written-off	(431)	(42,416)	(1,450)	(44,297)
Exchange differences	6	10	—	16
As of December 31, 2014 (As restated)	<u>143,602</u>	<u>1,154,848</u>	<u>21,537</u>	<u>1,319,987</u>
As of January 1, 2015 (As previously reported)	139,851	1,074,593	20,611	1,235,055
Acquisition of Target Assets and Businesses (note 2(b))	<u>3,751</u>	<u>80,255</u>	<u>926</u>	<u>84,932</u>
As of January 1, 2015 (As restated)	143,602	1,154,848	21,537	1,319,987
Additions	119	837	580	1,536
Transferred from construction in progress	13,225	178,285	2,099	193,609
Transfer of Tower Assets to China Tower (note 7)	(25,014)	(133,164)	(212)	(158,390)
Disposals	(1)	(84)	(24)	(109)
Assets written-off	(2,588)	(26,130)	(1,199)	(29,917)
Exchange differences	<u>117</u>	<u>211</u>	<u>3</u>	<u>331</u>
As of December 31, 2015	<u>129,460</u>	<u>1,174,803</u>	<u>22,784</u>	<u>1,327,047</u>
Accumulated depreciation and impairment:				
As of January 1, 2014 (As previously reported)	33,325	548,690	11,931	593,946
Acquisition of Target Assets and Businesses (note 2(b))	<u>1,464</u>	<u>38,094</u>	<u>539</u>	<u>40,097</u>
As of January 1, 2014 (As restated)	34,789	586,784	12,470	634,043
Charge for the year	5,997	114,243	2,604	122,844
Written back on disposals	(1)	(7)	(9)	(17)
Assets written-off	(389)	(40,190)	(1,335)	(41,914)
Exchange differences	3	5	—	8
As of December 31, 2014 (As restated)	<u>40,399</u>	<u>660,835</u>	<u>13,730</u>	<u>714,964</u>
As of January 1, 2015 (As previously reported)	38,796	618,275	13,189	670,260
Acquisition of Target Assets and Businesses (note 2(b))	<u>1,603</u>	<u>42,560</u>	<u>541</u>	<u>44,704</u>
As of January 1, 2015 (As restated)	40,399	660,835	13,730	714,964
Charge for the year	6,542	127,888	2,428	136,858
Transfer of Tower Assets to China Tower (note 7)	(8,317)	(80,765)	(97)	(89,179)
Written back on disposals	(1)	(84)	(21)	(106)
Assets written-off and impairment loss	(1,813)	(18,456)	(1,014)	(21,283)
Exchange differences	<u>15</u>	<u>146</u>	<u>1</u>	<u>162</u>
As of December 31, 2015	<u>36,825</u>	<u>689,564</u>	<u>15,027</u>	<u>741,416</u>
Net book value:				
As of December 31, 2015	<u>92,635</u>	<u>485,239</u>	<u>7,757</u>	<u>585,631</u>
As of December 31, 2014 (As restated)	<u>103,203</u>	<u>494,013</u>	<u>7,807</u>	<u>605,023</u>

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During 2015, CMC transferred its Tower Assets including property, plant and equipment with cost and accumulated depreciation and impairment of RMB158,390,000,000 and RMB89,179,000,000, respectively, to China Tower. The gain arising from the transfer of the Tower Assets is recorded as “Gain on the transfer of Tower Assets” in the consolidated statements of comprehensive income for the year ended December 31, 2015. Please refer to note 7 for details.

Write-off of property, plant and equipment mainly represents the retirement of individual network asset due to obsolescence or damages. Such assets have been disconnected from existing network, abandoned or demolished. Total net book value of such assets written off was RMB2,667,000,000 in 2015 (2014: RMB2,383,000,000; 2013: RMB3,021,000,000), including the assets of net book value amounting to RMB765,000,000 attributable to the ultimate holding company. These assets were disposed at scrap value.

With the rapid growth of the Group’s 4G operation in 2015, the strategy of ramping up the internet connection speed with lower tariff, continuing technology changes, and further development of wireline broadband business, management anticipates more pressure on the growth and profitability of the Wireless Local Area Network (“WLAN”) business. Therefore, management performed impairment testing on the WLAN and related terminal transmission equipment (“WLAN Equipment”) as of December 31, 2015. For the impairment testing purpose, the recoverable values of WLAN Equipment was determined based on value-in-use calculations, i.e. the present value of estimated future net cash flows expected to arise from the continuing use of the WLAN Equipment. In estimating the present value of future net cash flows, after considering the historical results, the prevailing market trends and the expected remaining useful lives of related WLAN Equipment, the Group has made key assumptions and estimates on the appropriate pre-tax discount rate of 10%, the period covered by the cash flow forecast of 3 years, and the estimated decrease in revenue by 10% per annum on average. Based on the impairment testing results, the Group recognized an impairment loss of RMB5,967,000,000 for the year ended December 31, 2015 (2014: nil; 2013: nil).

15 CONSTRUCTION IN PROGRESS

	2015 Million	2014 <i>As restated</i> Million
As of January 1	95,110	91,600
Additions	192,737	211,364
Transferred to property, plant and equipment	(193,609)	(207,854)
Transfer of Tower Assets to China Tower (note 7)	(6,226)	—
As of December 31	<u>88,012</u>	<u>95,110</u>

Construction in progress primarily comprises expenditure incurred on the network expansion projects but not yet completed as of December 31, 2015.

16 LAND LEASE PREPAYMENTS AND OTHERS

For the year ended December 31, 2015, the land lease prepayments expensed in the profit or loss amounted to approximately RMB426,000,000 (2014: approximately RMB407,000,000; 2013: approximately RMB387,000,000).

17 GOODWILL

	2015 Million	2014 <i>As restated</i> Million
As of January 1	35,343	36,937
Impairment	—	(1,594)
As of December 31	<u>35,343</u>	<u>35,343</u>

Impairment tests for goodwill

As set out in IAS 36 “Impairment of Assets”, a cash-generating unit is the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets or groups of assets. For the purpose of impairment tests of goodwill, goodwill is allocated to groups of cash-generating units (being subsidiaries acquired in each acquisition). Such groups of cash-generating units represent the lowest level within the Group for which the goodwill is monitored for internal management purposes.

17 GOODWILL (CONTINUED)

Impairment tests for goodwill (Continued)

As of December 31, 2015, the goodwill of RMB35,300,000,000 is attributable to the cash-generating unit in relation to the operation in Mainland China which management currently monitors. The recoverable amount of the cash-generating unit is determined based on the value-in-use calculations. Value-in-use is calculated by using the discounted cash flow method. This method considers the pre-tax cash flows of the subsidiaries (cash-generating unit) for the five years ending December 31, 2020 with subsequent transition to perpetuity. For the five years ending December 31, 2020, the average growth rate is assumed 1.5% for the operation in Mainland China. For the years beyond December 31, 2020, the assumed continual growth rates to perpetuity of 1% is used for the operation in Mainland China. The present value of cash flows is calculated by discounting the cash flow using pre-tax interest rates of approximately 12%. The management performed impairment test for the goodwill in relation to the operation in Mainland China and determined such goodwill was not impaired. Reasonably possible changes in key assumptions will not lead to the goodwill impairment loss.

For the year ended December 31, 2014, with the development of the 4G operation in Hong Kong, the competition in Hong Kong telecommunications market had become increasingly fierce. Management anticipated more pressure on the operating performance in future considering the necessity of investment in capital expenditure and increased marketing expenses to sustain the development of business. As a result, the management made a provision for impairment loss of goodwill amounting to RMB1,594,000,000 in relation to the operation in Hong Kong based on the annual impairment test result.

18 SUBSIDIARIES

The following list contains only the particulars of subsidiaries as of December 31, 2015, which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
			<i>Held by the Company</i>	<i>Held by a subsidiary</i>	
China Mobile Communication (BVI) Limited	British Virgin Islands (“BVI”)	HK\$1	100%	—	Investment holding company
CMC * *	PRC	RMB1,641,848,326	—	100%	Network and business coordination center
China Mobile Group Guangdong Co., Ltd. (“Guangdong Mobile”)	PRC	RMB5,594,840,700	—	100%	Mobile telecom- munications operator
China Mobile Group Zhejiang Co., Ltd.	PRC	RMB2,117,790,000	—	100%	Mobile telecom- munications operator
China Mobile Group Jiangsu Co., Ltd.	PRC	RMB2,800,000,000	—	100%	Mobile telecom- munications operator
China Mobile Group Fujian Co., Ltd.	PRC	RMB5,247,480,000	—	100%	Mobile telecom- munications operator
China Mobile Group Henan Co., Ltd.	PRC	RMB4,367,733,641	—	100%	Mobile telecom- munications operator
China Mobile Group Hainan Co., Ltd.	PRC	RMB643,000,000	—	100%	Mobile telecom- munications operator
China Mobile Group Beijing Co., Ltd. (“Beijing Mobile”)	PRC	RMB6,124,696,053	—	100%	Mobile telecom- munications operator
China Mobile Group Shanghai Co., Ltd.	PRC	RMB6,038,667,706	—	100%	Mobile telecom- munications operator
China Mobile Group Tianjin Co., Ltd.	PRC	RMB2,151,035,483	—	100%	Mobile telecom- munications operator
China Mobile Group Hebei Co., Ltd.	PRC	RMB4,314,668,600	—	100%	Mobile telecom- munications operator
China Mobile Group Liaoning Co., Ltd.	PRC	RMB5,140,126,680	—	100%	Mobile telecom- munications operator
China Mobile Group Shandong Co., Ltd.	PRC	RMB6,341,851,146	—	100%	Mobile telecom- munications operator
China Mobile Group Guangxi Co., Ltd.	PRC	RMB2,340,750,100	—	100%	Mobile telecom- munications operator
China Mobile Group Anhui Co., Ltd.	PRC	RMB4,099,495,494	—	100%	Mobile telecom- munications operator
China Mobile Group Jiangxi Co., Ltd.	PRC	RMB2,932,824,234	—	100%	Mobile telecom- munications operator
China Mobile Group Chongqing Co., Ltd.	PRC	RMB3,029,645,401	—	100%	Mobile telecom- munications operator

18 SUBSIDIARIES (CONTINUED)

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest Held by the Company</i>	<i>Held by a subsidiary</i>	<i>Principal activity</i>
China Mobile Group Sichuan Co., Ltd.	PRC	RMB7,483,625,572	—	100%	Mobile telecom- munications operator
China Mobile Group Hubei Co., Ltd.	PRC	RMB3,961,279,556	—	100%	Mobile telecom- munications operator
China Mobile Group Hunan Co., Ltd.	PRC	RMB4,015,668,593	—	100%	Mobile telecom- munications operator
China Mobile Group Shaanxi Co., Ltd.	PRC	RMB3,171,267,431	—	100%	Mobile telecom- munications operator
China Mobile Group Shanxi Co., Ltd.	PRC	RMB2,773,448,313	—	100%	Mobile telecom- munications operator
China Mobile Group Neimenggu Co., Ltd.	PRC	RMB2,862,621,870	—	100%	Mobile telecom- munications operator
China Mobile Group Jilin Co., Ltd.	PRC	RMB3,277,579,314	—	100%	Mobile telecom- munications operator
China Mobile Group Heilongjiang Co., Ltd.	PRC	RMB4,500,508,035	—	100%	Mobile telecom- munications operator
China Mobile Group Guizhou Co., Ltd.	PRC	RMB2,541,981,749	—	100%	Mobile telecom- munications operator
China Mobile Group Yunnan Co., Ltd.	PRC	RMB4,137,130,733	—	100%	Mobile telecom- munications operator
China Mobile Group Xizang Co., Ltd.	PRC	RMB848,643,686	—	100%	Mobile telecom- munications operator
China Mobile Group Gansu Co., Ltd.	PRC	RMB1,702,599,589	—	100%	Mobile telecom- munications operator
China Mobile Group Qinghai Co., Ltd.	PRC	RMB902,564,911	—	100%	Mobile telecom- munications operator
China Mobile Group Ningxia Co., Ltd.	PRC	RMB740,447,232	—	100%	Mobile telecom- munications operator
China Mobile Group Xinjiang Co., Ltd.	PRC	RMB2,581,599,600	—	100%	Mobile telecom- munications operator
China Mobile Group Design Institute Co., Ltd.	PRC	RMB160,232,500	—	100%	Provision of telecommunications network planning design and consulting services

18 SUBSIDIARIES (CONTINUED)

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest Held by the Company</i>	<i>Held by a subsidiary</i>	<i>Principal activity</i>
China Mobile Holding Company Limited * *	PRC	US\$30,000,000	100%	—	Investment holding company
China Mobile (Shenzhen) Limited * *	PRC	US\$7,633,000	—	100%	Provision of roaming clearance services
Aspire Holdings Limited	Cayman Islands	HK\$93,964,583	66.41%	—	Investment holding company
Aspire (BVI) Limited #	BVI	US\$1,000	—	100%	Investment holding company
Aspire Technologies (Shenzhen) Limited * * #	PRC	US\$10,000,000	—	100%	Technology platform development and maintenance
Aspire Information Network (Shenzhen) Limited * * #	PRC	US\$5,000,000	—	100%	Provision of mobile data solutions, system integration and development
Aspire Information Technologies (Beijing) Limited * * #	PRC	US\$5,000,000	—	100%	Technology platform development and maintenance
Fujian FUNO Mobile Communication Technology Company Limited * * *	PRC	US\$3,800,000	—	51%	Network planning and optimizing construction testing and supervising, technology support, development and training of Nokia GSM900/1800 Mobile Communication System
Advanced Roaming & Clearing House Limited	BVI	US\$2	100%	—	Provision of roaming clearance services
Fit Best Limited	BVI	US\$1	100%	—	Investment holding company
China Mobile Hong Kong Company Limited (“CMHK”)	Hong Kong	HK\$951,046,930	—	100%	Provision of mobile telecommunications and related services
China Mobile International Holdings Limited (“CMI Holdings”)	Hong Kong	HK\$10,500,000,000	100%	—	Investment holding company
China Mobile International Limited	Hong Kong	HK\$3,000,000,000	—	100%	Provision of voice and roaming clearance services, internet services and value-added services
China Mobile Group Device Co., Ltd.	PRC	RMB6,200,000,000	—	99.97%	Provision of electronic communication products design and sale of related products

18 SUBSIDIARIES (CONTINUED)

<i>Name of company*</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Particulars of issued and paid up capital</i>	<i>Proportion of ownership interest</i>		<i>Principal activity</i>
			<i>Held by the Company</i>	<i>Held by a subsidiary</i>	
China Mobile Group Finance Co., Ltd. (“China Mobile Finance”) ##	PRC	RMB11,627,783,669	—	92%	Provision of non-banking financial services
China Mobile M2M Company Limited (“M2M Company”)	PRC	RMB1,000,000,000	—	100%	Provision of network services
China Mobile (Suzhou) Software Technology Co., Ltd.	PRC	RMB700,000,000	—	100%	Provision of computer hardware and software research and development services
China Mobile (Hangzhou) Information Technology Co., Ltd.	PRC	RMB900,000,000	—	100%	Provision of computer hardware and software research and development services
China Mobile Online Service Co., Ltd.	PRC	RMB50,000,000	—	100%	Provision of call center services
MIGU Company Limited	PRC	RMB5,500,000,000	—	100%	Provision of Mobile Internet digital content services
CM TieTong	PRC	RMB15,000,000,000	—	100%	Provision of telecommunications services
China Mobile Internet Company Limited	PRC	RMB2,000,000,000	—	100%	Provision of value added telecommunications services

* The nature of all the legal entities established in the PRC is limited liability company.

** Companies registered as wholly owned foreign enterprises in the PRC.

*** Company registered as a sino-foreign equity joint venture in the PRC.

Effective interest held by the Group is 66.41%.

China Mobile Finance was established by CMCC and Beijing Mobile, a wholly-owned subsidiary of the Company, with original equity interest of 8% and 92%, respectively. In 2015, China Mobile Finance received capital injections from CMCC and CMC, after which the equity interest held by CMCC, CMC and Beijing Mobile are 8.00%, 52.44% and 39.56% respectively.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognized in the consolidated balance sheets are as follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Associates	115,558	70,451
Joint ventures	375	—
	<u>115,933</u>	<u>70,451</u>

Details of major associates are as follows:

<i>Name of associate</i>	<i>Place of incorporation/ establishment and operation</i>	<i>Proportion of ownership interest held by the Company or its subsidiary</i>	<i>Principal Activity</i>
Unlisted company			
China Tower	PRC	38%	Construction, maintenance and operation of telecommunications towers
Listed company			
Shanghai Pudong Development Bank Co., Ltd. (“SPD Bank”)	PRC	20%	Provision of banking services
IFLYTEK Co., Ltd. (“IFLYTEK”)	PRC	14%	Provision of Chinese speech and language technology products and services
True Corporation Public Company Limited (“True Corporation”)	Thailand	18%	Provision of telecommunications services

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

During 2014, CMI Holdings, a wholly-owned subsidiary of the Company subscribed for 4,429,427,068 ordinary shares of True Corporation (a fully-integrated, nationwide telecommunications service provider in Thailand) at the price of Baht6.45 per share with a total consideration of Baht28.57 billion (equivalent to approximately RMB5.51 billion). Upon the completion of the subscription, CMI Holdings owns 18% of the share capital and has become the second largest shareholder of True Corporation and two designees nominated by CMI Holdings have been appointed as directors of True Corporation. Accordingly, the Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of True Corporation.

Also in 2014, China Tower was established, of which the Group owns 40.0% of the registered capital upon establishment. In 2015, upon the completion of the transaction of transfer of Tower Assets to China Tower (see note 7), the Group owns 38.0% of the equity interest in China Tower. The Group recognized the investment as interest in an associate considering the Group can exercise significant influence over financial and operating policy decisions of China Tower.

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates:

	<i>SPD Bank</i>	
	<i>As of December 31</i>	
	<i>2015</i> Million	<i>2014</i> Million
Total assets	5,044,352	4,195,924
Total liabilities	4,725,752	3,932,639
Total equity	<u>318,600</u>	<u>263,285</u>
Total equity attributable to ordinary equity shareholders	285,250	245,209
Percentage of ownership of the Group	20%	20%
Total equity attributable to the Group	57,050	49,042
The impact of fair value adjustments at the time of acquisition and goodwill	9,361	10,512
Interest in associates	<u>66,411</u>	<u>59,554</u>

	<i>IFLYTEK</i>		<i>True Corporation</i>		<i>China Tower</i>	
	<i>As of December 31</i>		<i>As of December 31</i>		<i>As of December 31</i>	
	<i>2015</i> Million	<i>2014</i> Million	<i>2015</i> Million	<i>2014</i> Million	<i>2015</i> Million	<i>2014</i> Million
Total current assets	4,767	2,565	14,038	16,487	38,586	9,676
Total non-current assets	3,623	2,605	36,959	27,428	231,793	454
Total current liabilities	1,601	1,076	20,158	22,026	47,717	244
Total non-current liabilities	266	193	17,279	8,608	96,535	—
Total equity	<u>6,523</u>	<u>3,901</u>	<u>13,560</u>	<u>13,281</u>	<u>126,127</u>	<u>9,886</u>
Total equity attributable to equity shareholders	6,268	3,707	13,441	13,170	126,127	9,886
Percentage of ownership of the Group	14%	15%	18%	18%	38%	40%
Total equity attributable to the Group	878	556	2,419	2,371	47,928	3,954
The impact of fair value adjustments at the time of acquisition and goodwill	827	876	3,077	3,133	—	—
Elimination of unrealized profits resulting from transfer of Tower Assets and its realisation	—	—	—	—	(5,989)	—
Interest in associates	<u>1,705</u>	<u>1,432</u>	<u>5,496</u>	<u>5,504</u>	<u>41,939</u>	<u>3,954</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

Summary financial information on principal associates (Continued):

	<i>SPD Bank</i>			<i>IFLYTEK</i>		
	<i>2015</i> Million	<i>2014</i> Million	<i>2013</i> Million	<i>2015</i> Million	<i>2014</i> Million	<i>2013</i> Million
Revenue	146,550	123,181	100,015	2,501	1,775	1,254
Profit before taxation	66,877	62,030	53,849	465	434	321
Profit attributable to ordinary equity shareholders for the year	49,704	47,026	40,922	425	379	279
Other comprehensive income	4,458	6,119	(3,835)	—	—	—
Total comprehensive income	54,162	53,145	37,087	425	379	279
Dividends received from associates	2,824	2,462	2,052	18	14	10

	<i>True Corporation</i>		<i>China Tower</i>	
	<i>2015</i> Million	<i>2014</i> Million	<i>2015</i> Million	<i>2014</i> Million
Revenue	21,416	20,447	10,325	—
Profit/(loss) before taxation	839	(129)	(3,864)	(114)
Profit/(loss) for the year	795	267	(2,944)	(114)
Other comprehensive income	—	—	—	—
Total comprehensive income/(loss)	795	267	(2,944)	(114)
Dividends received from associates	—	—	—	—

The fair values of the interests in SPD Bank, IFLYTEK and True Corporation are disclosed as follows:

	<i>As of December 31, 2015</i>		<i>As of December 31, 2014</i>	
	<i>Carrying amount Million</i>	<i>Fair value Million</i>	<i>Carrying amount Million</i>	<i>Fair value Million</i>
SPD Bank	66,411	68,160	59,554	58,535
IFLYTEK	1,705	6,639	1,432	3,184
True Corporation	5,496	5,339	5,504	9,205
Interest in listed associates	<u>73,612</u>	<u>80,138</u>	<u>66,490</u>	<u>70,924</u>

19 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

The fair values of interest in SPD Bank, IFLYTEK and True Corporation are based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs.

As of December 31, 2015, the fair value of investment in SPD Bank was RMB68,160,000,000 (2014: RMB58,535,000,000), exceeding its carrying amount by approximately 2.6% (2014: approximately 1.7% below).

As of December 31, 2015, the fair value of investment in True Corporation was RMB5,339,000,000, below its carrying amount by approximately 2.9%, which was primarily due to the depreciation of Thai Baht during 2015. Since the decline in the fair value of investment in True Corporation is not significant or prolonged, there was no objective evidence of impairment as of December 31, 2015.

For the year ended December 31, 2015, China Tower has carried out operation for a short period. There was no objective evidence of impairment associated with the investment in China Tower as of December 31, 2015.

The management has determined that there was no impairment indicator of the Group's interests in other associates as of December 31, 2014 and 2015.

On May 18, 2015, CMC entered into a partnership agreement with State Development & Investment Corporation and China Mobile State Development & Investment Management Company Limited (45% of its registered capital is owned by CMCC), under which they agreed to establish China Mobile Innovative Business Fund (Shenzhen) Partnership (Limited Partnership) (the "Fund"). The principal business of the Fund is investment in portfolio companies with high-growth potential in mobile internet and related sectors and seek favorable opportunities to exit by appropriate means. CMC committed to invest RMB1,500,000,000 in cash, which represents 58.8% equity interest in the Fund. As of December 31, 2015, CMC has contributed RMB360,000,000 to the Fund and has a commitment to invest RMB1,140,000,000 to the fund upon the request by the Fund.

There are no contingent liabilities relating to the Group's interest in the joint ventures.

20 DEFERRED TAX ASSETS AND LIABILITIES

The analysis of deferred tax assets and liabilities are as follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Deferred tax assets:		
- Deferred tax asset to be recovered after 12 months	4,935	4,639
- Deferred tax asset to be recovered within 12 months	<u>20,488</u>	<u>16,015</u>
	<u>25,423</u>	<u>20,654</u>
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after 12 months	(166)	(80)
- Deferred tax liabilities to be settled within 12 months	<u>(37)</u>	<u>(18)</u>
	<u>(203)</u>	<u>(98)</u>

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2015

	<i>As of January 1, 2015 As restated Million</i>	<i>Credited/ (charged) to profit or loss Million</i>	<i>Exchange differences Million</i>	<i>As of December 31, 2015 Million</i>
Deferred tax assets arising from:				
Write-down for obsolete inventories	188	29	—	217
Write-off and impairment of certain network equipment and related assets	2,624	1,528	—	4,152
Accrued operating expenses	10,641	3,484	—	14,125
Deferred revenue from Reward Program	5,621	(271)	—	5,350
Impairment loss for doubtful accounts	<u>1,580</u>	<u>(1)</u>	<u>—</u>	<u>1,579</u>
	20,654	4,769	—	25,423
Deferred tax liabilities arising from:				
Depreciation allowance in excess of related depreciation	<u>(98)</u>	<u>(96)</u>	<u>(9)</u>	<u>(203)</u>
Total	<u>20,556</u>	<u>4,673</u>	<u>(9)</u>	<u>25,220</u>

20 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Deferred tax assets and liabilities recognized and the movements during 2014

	<i>As of January 1, 2014 As restated Million</i>	<i>Credited to profit or loss As restated Million</i>	<i>As of December 31, 2014 As restated Million</i>
Deferred tax assets arising from:			
Write-down for obsolete inventories	132	56	188
Write-off of certain network equipment and related assets	2,256	368	2,624
Accrued operating expenses	9,184	1,457	10,641
Deferred revenue from Reward Program	4,500	1,121	5,621
Impairment loss for doubtful accounts	<u>1,450</u>	<u>130</u>	<u>1,580</u>
	17,522	3,132	20,654
Deferred tax liabilities arising from:			
Depreciation allowance in excess of related depreciation	<u>(104)</u>	<u>6</u>	<u>(98)</u>
Total	<u>17,418</u>	<u>3,138</u>	<u>20,556</u>

21 RESTRICTED BANK DEPOSITS

	Note	As of December 31, 2015			As of December 31, 2014		
		Non-current assets	Current assets	Total	Non-current assets	Current assets	Total
		Million	Million	Million	As restated Million	As restated Million	As restated Million
Restricted bank deposits							
- Statutory deposit reserves	(i)	4,526	—	4,526	8,666	—	8,666
- Pledged bank deposits	(ii)	49	15	64	65	736	801
		<u>4,575</u>	<u>15</u>	<u>4,590</u>	<u>8,731</u>	<u>736</u>	<u>9,467</u>

Note:

- (i) The statutory deposit reserves are deposited by China Mobile Finance with PBOC as required, which are not available for use in the Group's daily operations.
- (ii) Non-current pledged bank deposits are primarily related to the performance bonds issued by banks in favor of the Office of the Communications Authority of Hong Kong, in order to secure CMHK's due performance of network and service rollout requirement in or before 2017 and 2018, respectively.

As of December 31, 2014, current pledged bank deposits primarily represent standby letters of credit in favor of the Office of the Communications Authority of Hong Kong for CMHK fulfilling the deposit requirement for the public auction of spectrum with original maturity within one year.

22 OTHER FINANCIAL ASSETS

	As of December 31, 2015 Million	As of December 31, 2014 As restated Million
Investment in unlisted equity securities in the PRC	<u>3</u>	<u>128</u>

23 INVENTORIES

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
SIM cards and handsets	8,604	8,194
Other consumables	<u>1,390</u>	<u>1,098</u>
	<u>9,994</u>	<u>9,292</u>

24 ACCOUNTS RECEIVABLE

(a) Aging analysis

Aging analysis of accounts receivable, net of allowance for impairment loss of doubtful accounts is as follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Within 30 days	10,343	10,007
31 - 60 days	2,082	2,247
61 - 90 days	1,457	1,244
Over 90 days	<u>3,861</u>	<u>3,217</u>
	<u>17,743</u>	<u>16,715</u>

Accounts receivable primarily comprise receivables from customers and telecommunications operators. Accounts receivable from the provision of telecommunications services to customers are mainly due for payment within one month from date of billing. Customers with balances that are overdue or exceed credit limits are required to settle all outstanding balances before any further telecommunications services can be provided. The increase of accounts receivable over 90 days is mainly due to receivables arising from other telecommunications operators and certain corporate customers that are within credit term.

Accounts receivable are expected to be recovered within one year.

24 ACCOUNTS RECEIVABLE (CONTINUED)

(b) Impairment of accounts receivable

Impairment loss in respect of accounts receivable is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against accounts receivable directly.

The following table summarizes the changes in impairment loss of doubtful accounts:

	2015 Million	2014 As restated Million
As of January 1	6,575	6,081
Impairment loss recognized	4,921	5,674
Accounts receivable written off	(4,947)	(5,180)
As of December 31	<u>6,549</u>	<u>6,575</u>

(c) Accounts receivable that are not impaired

Accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	As of December 31, 2015 Million	As of December 31, 2014 As restated Million
Neither past due nor impaired	17,240	16,034
Less than 1 month past due	<u>503</u>	<u>681</u>
	<u>17,743</u>	<u>16,715</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for which there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

25 OTHER RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

Other receivables comprise certain items which are expected to be recovered within one year, primarily including interest receivable from banks, utilities deposits and rental deposits, and short-term loans of RMB5,000,000,000 granted to other companies through China Mobile Finance at the interest rate agreed by each party with reference to the market interest rate.

Prepayments and other current assets primarily consist of rental prepayments.

As of December 31, 2014 and 2015, there were no significant overdue amounts for other receivables.

26 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY

Amount due from ultimate holding company is unsecured, interest free, repayable on demand and arising in the ordinary course of business.

As of December 31, 2015, amount due to ultimate holding company comprises the short-term deposits of CMCC in China Mobile Finance amounting to RMB7,274,000,000 (2014: RMB4,181,000,000) and the corresponding interest payable arising from the deposits. The deposits are unsecured and carry interest at prevailing market rate.

As of December 31, 2014, amount due to ultimate holding company also comprised entrusted loans of RMB10,242,000,000 provided by CMCC to TieTong. The entrusted loans carried interest rate at 2% per annum and have been fully repaid by TieTong during 2015.

27 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<i>As of December 31, 2015 Million</i>	<i>As of December 31, 2014 Million</i>
Wealth management products issued by banks	<u>19,167</u>	<u>2,000</u>

The available-for-sale financial assets represent wealth management products issued by banks. These wealth management products will mature within one year with variable return rates indexed to the performance of underlying assets. As of December 31, 2015, the carrying amount approximated the fair value (level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs)). The fair values are based on cash flow discounted using the judgement that expected return will be obtained upon maturity.

28 BANK DEPOSITS

Bank deposits represent term deposits with banks with original maturity exceeding three months. The applicable interest rate is determined in accordance with the benchmark interest rate published by PBOC.

29 CASH AND CASH EQUIVALENTS

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Bank deposits with original maturity within three months	7,312	30,095
Cash at banks and in hand	<u>72,530</u>	<u>43,717</u>
	<u>79,842</u>	<u>73,812</u>

30 ACCOUNTS PAYABLE

Accounts payable primarily include payables for network expansion projects expenditure, maintenance and interconnection expenses.

The aging analysis of accounts payable is as follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Due within 1 month or on demand	205,724	194,006
Due after 1 month but within 3 months	17,002	14,071
Due after 3 months but within 6 months	8,980	6,897
Due after 6 months but within 9 months	3,488	3,808
Due after 9 months but within 12 months	<u>8,385</u>	<u>8,795</u>
	<u>243,579</u>	<u>227,577</u>

All of the accounts payable are expected to be settled within one year or are repayable on demand.

31 DEFERRED REVENUE

Deferred revenue primarily includes prepaid service fees received from customers and unredeemed point rewards.

	2015 Million	2014 As restated Million
As of January 1	65,386	64,342
- Current portion	63,916	63,155
- Non-current portion	1,470	1,187
Additions during the year	321,417	236,910
Recognized in the consolidated statements of comprehensive income	<u>(307,412)</u>	<u>(235,866)</u>
As of December 31	79,391	65,386
Less: Current portion	<u>(78,100)</u>	<u>(63,916)</u>
Non-current portion	<u>1,291</u>	<u>1,470</u>

32 ACCRUED EXPENSES AND OTHER PAYABLES

	As of December 31, 2015 Million	As of December 31, 2014 As restated Million
Receipts-in-advance	74,040	66,774
Other payables	21,789	17,794
Accrued salaries, wages, labor service expenses and other benefits	5,776	5,667
Accrued expenses	<u>61,799</u>	<u>48,471</u>
	<u>163,404</u>	<u>138,706</u>

33 INTEREST-BEARING BORROWINGS

	<i>Note</i>	<i>As of December 31, 2015 Million</i>	<i>As of December 31, 2014 As restated Million</i>
Bonds issued by Guangdong Mobile	(i)	4,995	4,992
Bonds issued by TieTong	(ii)	—	1,000
		<u>4,995</u>	<u>5,992</u>
Less: current portion		<u>—</u>	<u>1,000</u>
Non-current portion		<u><u>4,995</u></u>	<u><u>4,992</u></u>

Note:

- (i) The bonds represent the balance of fifteen-year guaranteed bonds issued by Guangdong Mobile, a subsidiary of the Company, with a principal amount of RMB5,000,000,000, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at the rate of 4.5% per annum which is payable annually. The bonds, redeemable at 100% of the principal amount, will mature on October 28, 2017.
- The Company has issued a joint and irrevocable guarantee (the “Guarantee”) for the performance of the bonds. CMCC, the ultimate holding company, has also issued a further guarantee in relation to the performance by the Company of its obligations under the Guarantee.
- (ii) The bonds were issued by TieTong on August 18, 2005, with a principal amount of RMB1,000,000,000, at an issue price equal to the face value of the bonds. The bonds are unsecured and bear interest at rate of 4.6% per annum which is payable annually. The bonds were fully repaid on August 18, 2015.

34 EQUITY SETTLED SHARE-BASED TRANSACTIONS

Pursuant to a resolution passed at the Annual General Meeting held on June 24, 2002, the current share option scheme (the “Current Scheme”) was adopted.

Under the Current Scheme, the directors of the Company may, at their discretion, invite employees, including executive directors and non-executive directors of the Company, any of its holding companies and any of their respective subsidiaries and any entity in which the Company or any of its subsidiaries holds an equity interest, to receive options to subscribe for shares of the Company. The consideration payable for the grant of option under the Current Scheme is HK\$1.00.

The maximum aggregate number of shares which can be subscribed for pursuant to options that are or may be granted under the above scheme equals to 10% of the total issued share capital of the Company as of the date of adoption of the Current Scheme. Options lapsed or cancelled in accordance with the terms of the Current Scheme will not be counted for the purpose of calculating this 10% limit.

The HKEx requires the exercise price of options to be at least the higher of the nominal value of a share (no longer existed after March 3, 2014, see note 35(b)), the closing price of the shares on the HKEx on the date on which the option was granted and the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

For options granted under the Current Scheme, the exercise price of options shall be determined by the directors of the Company at their discretion provided that such price may not be set below a minimum price which is the highest of:

- (i) the nominal value of a share (no longer exists after March 3, 2014, see note 35(b));
- (ii) the closing price of the shares on the HKEx on the date on which the option was granted; and
- (iii) the average closing price of the shares on the HKEx for the five trading days immediately preceding the date on which the option was granted.

Under the Current Scheme, the term of the option is determined by the directors at their discretion, provided that all options shall be exercised within 10 years after the date on which the option is granted.

34 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

- (a) The terms and conditions of the grants that existed as of the end of the years are as follows, whereby all options are settled by physical delivery of shares:

	<i>Number of instruments</i>		<i>Vesting conditions</i>	<i>Contractual life of options</i>
	<i>2015</i>	<i>2014</i>		
Options granted to directors				
- on November 8, 2005	—	2,881,500	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Options granted to other employees				
- on November 8, 2005	—	43,351,922	40% one year from the date of grant, 30% two years from the date of grant, 30% three years from the date of grant	10 years
Total share options	<u>—</u>	<u>46,233,422</u>		

34 EQUITY SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HK\$	2015 Number of shares involved in the options	Weighted average exercise price HK\$	2014 Number of shares involved in the options
As of January 1	34.87	46,233,422	31.28	385,273,559
Exercised	34.87	(37,056,383)	30.86	(335,886,849)
Expired	34.87	(9,177,039)	23.33	(3,153,288)
As of December 31	—	—	34.87	46,233,422
Options vested as of December 31	—	—	34.87	46,233,422

The weighted average share price at the date of exercise for shares options exercised during the year was HK\$98.58 (2014: HK\$79.40).

No options were outstanding as of December 31, 2015. The options outstanding as of December 31, 2014 had exercise price HK\$34.87 and a weighted average remaining contractual life of 0.9 year.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. No share options were granted during 2014 and 2015.

35 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends attributable to the year:

	2015 Million	2014 Million	2013 Million
Ordinary interim dividend declared and paid of HK\$1.525 (equivalent to approximately RMB1.203) (2014: HK\$1.540 (equivalent to approximately RMB1.222); 2013: HK\$1.696 (equivalent to approximately RMB1.351)) per share	25,629	24,880	27,031
Ordinary final dividend proposed after the balance sheet date of HK\$1.196 (equivalent to approximately RMB1.002) (2014: HK\$1.380 (equivalent to approximately RMB1.089); 2013: HK\$1.615 (equivalent to approximately RMB1.270)) per share	<u>20,516</u>	<u>22,290</u>	<u>25,644</u>
	<u>46,145</u>	<u>47,170</u>	<u>52,675</u>

The proposed ordinary final dividend which is declared in Hong Kong dollar is translated into RMB at the rate HK\$1 = RMB0.83778, being the rate announced by the State Administration of Foreign Exchange in the PRC on December 31, 2015 (2014: HK\$1 = RMB0.78887; 2013: HK\$1 = RMB0.78623). As the ordinary final dividend is declared after the balance sheet date, such dividend is not recognized as liability as of December 31, 2015.

In accordance with the 2009 Notice and the PRC enterprise income tax law, the Company is required to withhold enterprise income tax equal to 10% of any dividend when it is distributed to non-resident enterprise shareholders whose names appeared on the Company's register of members, as of the record date for such dividend, and who were not individuals.

(ii) Dividends attributable to the previous financial year, approved and paid during the year:

	2015 Million	2014 Million	2013 Million
Ordinary final dividend in respect of the previous financial year, approved and paid during the year, of HK\$1.380 (equivalent to approximately RMB1.089) (2014: HK\$1.615 (equivalent to approximately RMB1.270); 2013: HK\$1.778 (equivalent to approximately RMB1.442)) per share	<u>22,283</u>	<u>26,044</u>	<u>28,460</u>

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

Ordinary shares, issued and fully paid:

	2015			2014		
	<i>Number of shares</i>	<i>HK\$ Million</i>	<i>Equivalent RMB Million</i>	<i>Number of shares</i>	<i>HK\$ Million</i>	<i>Equivalent RMB Million</i>
As of January 1	20,438,426,514	380,590	400,737	20,102,539,665	2,010	2,142
Shares issued under share option scheme	37,056,383	1,673	1,393	335,886,849	11,004	9,279
Transition to no-par value regime	—	—	—	—	367,576	389,316
As of December 31	<u>20,475,482,897</u>	<u>382,263</u>	<u>402,130</u>	<u>20,438,426,514</u>	<u>380,590</u>	<u>400,737</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Shares issued under share option scheme

During 2015, options were exercised to subscribe for 37,056,383 ordinary shares in the Company at a consideration of HK\$1,292,000,000 (equivalent to RMB1,024,000,000) which was credited to share capital. RMB369,000,000 has been transferred from the capital reserve to the share capital account in accordance with policy set out in note 2(w)(ii).

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account has become part of the Company's share capital.

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Nature and purpose of reserves

(i) Capital reserve

The capital reserve mainly comprises the following:

- The fair value of unexercised share options granted to employees of the Group recognized in accordance with the accounting policy adopted for share-based payments in note 2(w)(ii); and
- RMB295,665,000,000 debit balance brought forward as a result of the elimination of goodwill arising on the acquisition of subsidiaries before January 1, 2001 against the capital reserve in previous years.
- The capital injection from ultimate holding company to Target Assets and Businesses in 2013 amounted to RMB33,788,000,000.

(ii) PRC statutory reserves

PRC statutory reserves mainly include statutory surplus reserve and discretionary surplus reserve.

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC (“PRC GAAP”), to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. Moreover, upon a resolution made by the shareholders, a certain percentage of domestic enterprises’ profit after taxation, as determined under PRC GAAP, is transferred to the discretionary surplus reserve. During the year, appropriations were made by such subsidiaries to the statutory surplus reserves and discretionary surplus reserves accordingly.

The statutory and discretionary surplus reserves can be used to reduce previous years’ losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Company, China Mobile Finance, is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of overseas entities. The reserve is dealt with in accordance with the accounting policies set out in note 2 (y).

35 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Capital management

The Group's primary objectives of capital management are to maintain a reasonable capital structure and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders. The Group actively and regularly reviews and manages its capital structure to stabilize the capital position and prevent operation risk. Meanwhile, the Group will maximize the shareholders' return when having high level of borrowings and will make adjustment on the capital structure in accordance with the changes in economic conditions.

The Group monitors capital on the basis of total debt-to-book capitalization ratio. This ratio is calculated as total borrowings divided by book capitalization (equal to the total equity attributable to equity shareholders of the Company as shown in the consolidated balance sheets and total borrowings).

As of December 31, 2015, the Group's total debt-to-book capitalization ratio was 0.5% (2014: 1.8%).

Except China Mobile Finance, the Company and its subsidiaries are not subject to externally imposed capital requirements.

36 RELATED PARTY TRANSACTIONS

(a) Transactions with CMCC Group

The following is a summary of principal related party transactions entered into by the Group with CMCC and its subsidiaries (“CMCC Group”), for the years ended December 31, 2013, 2014 and 2015.

Please refer to note 2(b) for the acquisition of Targets Assets and Businesses, which constitutes a related party transaction with CMCC Group. Since the acquisition of Target Assets and Businesses from TieTong has been accounted for using merger accounting in accordance with AG 5, the transactions between the Group and TieTong for the years ended December 31, 2013, 2014 and 2015 were eliminated and not disclosed as related party transactions in the consolidated financial statements.

	Note	2015 Million	2014 As restated Million	2013 As restated Million
Telecommunications services revenue	(i)	474	869	1,223
Telecommunications services charges	(i)	—	66	11
Property leasing and management services revenue	(ii)	191	181	213
Property leasing and management services charges	(ii)	956	923	870
Network assets leasing charges	(iii)	4,376	4,617	4,374
Network capacity leasing charges	(iii)	4,757	5,012	3,876
Entrusted loans received	(iv)	8,592	10,242	43,661
Entrusted loans repaid	(iv)	18,834	9,573	67,875
Short-term bank deposits received	(iv)	7,274	4,181	—
Short-term bank deposits repaid	(iv)	4,181	—	—
Interest expenses	(iv)	<u>194</u>	<u>211</u>	<u>965</u>

Note:

- (i) The amounts represent telecommunications services settlement received/receivable from or paid/payable to CMCC Group for the telecommunications project planning, design and construction services, telecommunications line and pipeline construction services, telecommunications line maintenance services, and installation and maintenance services in respect of transmission towers.
- (ii) The amount represents the rental and property management fees received/receivable from or paid/payable to CMCC Group in respect of business premises and offices, retail outlets and warehouses.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with CMCC Group (Continued)

- (iii) The amounts represent the network assets leasing settlement received/receivable from or paid/payable to CMCC Group and the TD-SCDMA network capacity charges paid/ payable to CMCC Group. On December 29, 2008, the Company entered into a network capacity leasing agreement (the “Network Capacity Leasing Agreement”) with CMCC Group for the provision of TD-SCDMA related services. The lease was effective from January 1, 2009 to December 31, 2009 and is automatically renewed for successive one-year periods unless otherwise notified by one party to the other party. The Group is permitted to terminate the lease by giving 60 days advance written notice to CMCC Group. No penalty will be imposed in the event of a lease termination. Pursuant to the Network Capacity Leasing Agreement, the Group leases TD-SCDMA network capacity from CMCC Group and pays leasing fees to CMCC Group. The leasing fees are determined on a basis that reflects the actual usage of CMCC Group’s TD-SCDMA network capacity and compensates CMCC Group for the costs of such network capacity. At the end of the lease terms, there is no purchase option granted to the Group to purchase the leased network assets. The Group also does not bear any gains or losses in the fluctuation in the fair value of the leased network assets at the end of the lease terms. As a result, the Group does not bear the risks associated with the ownership of the leased network assets, and accordingly the Group accounts for the network assets leasing and the network capacity leasing as operating leases.
- (iv) The amounts represent the entrusted loans/bank deposits received from or repaid to CMCC, interest expenses paid/payable to CMCC in respect of the entrusted loans/bank deposits and the interest expenses paid to China Mobile Hong Kong (BVI) Limited, the Company’s immediate holding company, in respect of the balance of purchase consideration for acquisitions of subsidiaries.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Amounts due from/to CMCC Group

Amounts due from/to CMCC Group, other than amount due from/to ultimate holding company, are included in the following accounts captions summarized as follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
	Million	Million
Accounts receivable	558	790
Other receivables	519	3
Accounts payable	4,564	2,705
Accrued expenses and other payables	<u>181</u>	<u>272</u>

The amounts are unsecured, interest-free, repayable on demand/on contract terms and arise in the ordinary course of business.

(c) Significant transactions with associates of the Group and of CMCC Group

The Group has entered into transactions with associates over which the Group or CMCC Group can exercise significant influence. The major transactions entered into by the Group and the associates and amount due from/to the associates are follows:

	<i>As of December 31, 2015</i>	<i>As of December 31, 2014 As restated</i>
<i>Note</i>	Million	Million
Bank deposits	33,888	43,265
Available-for-sale financial assets	9,300	1,000
Interest receivable	1,187	934
Accounts payable	358	513
Accrued expenses (i)	5,563	—
Other payable	128	—
Proceeds receivable for the transfer of Tower Assets (note 7)	56,737	—
Other receivables (ii)	<u>8,907</u>	<u>—</u>

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Significant transactions with associates of the Group and of CMCC Group (Continued)

	Note	2015 Million	2014 As restated Million	2013 As restated Million
Interest income	(iii)	1,699	1,659	1,358
Mobile telecommunications services revenue	(iv)	767	127	84
Mobile telecommunications services charges	(v)	774	1,839	2,261
Gain on the transfer of Tower Assets	(i)	15,525	—	—
Charges for use of tower assets	(i)	5,563	—	—
Dividend income		2,842	2,476	2,062
Property leasing and management services revenue	(vi)	<u>6</u>	<u>6</u>	<u>6</u>

Note:

- (i) The amounts represent the gain arising from the transfer of Tower Assets on October 31, 2015 and the charges payable to China Tower for the use of relevant tower assets (note 7).
- (ii) Other receivables represent the short-term loans granted by China Mobile Finance to China Tower and amounts due from China Tower. The loans will mature by December 2016.
- (iii) Interest income primarily represents interest earned from deposits placed with SPD Bank, which interest rate is determined in accordance with the benchmark interest rate published by PBOC.
- (iv) The amount represents the mobile telecommunications services revenue received/receivable from SPD Bank and China Tower.
- (v) The amount represents the mobile telecommunications services charges paid/payable to Union Mobile Pay Co., Ltd., an associate of CMCC Group.
- (vi) The amount represents the property leasing services revenue received/receivable from SPD Bank.

36 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with other government-related entities in the PRC

The Group is a government-related enterprise and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government through government authorities, agencies, affiliations and other organization (collectively referred to as “government-related entities”).

Apart from transactions with CMCC Group (notes 26 and 36(a)) and associates (note 36(c)) and the transaction to establish the Fund (note 19), the Group has collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- rendering and receiving telecommunications services, including interconnection revenue/charges
- purchasing of goods, including use of public utilities
- placing of bank deposits

These transactions are conducted in the ordinary course of the Group’s business on terms comparable to the terms of transactions with other entities that are not government-related. The Group prices its telecommunications services and products in accordance with rules and regulations stipulated by related authorities of the PRC Government, where applicable, or based on commercial negotiations. The Group has also established its procurement policies and approval processes for purchases of products and services, which do not depend on whether the counterparties are government-related entities or not.

(e) For key management personnel remuneration, please refer to note 10.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below:

(a) Credit risk and concentration risk

The Group's credit risk is primarily attributable to the financial assets in the consolidated balance sheets, which mainly include deposits with banks, wealth management products issued by banks, accounts receivable, other receivables and deferred consideration for the transfer of Tower Assets. The maximum exposure to credit risk is represented by the carrying amount of the financial assets.

Substantially all the Group's cash at banks and bank deposits are deposited in financial institutions in Mainland China and Hong Kong. The credit risk on liquid funds is limited as the majority of counterparties are financial institutions with high credit ratings assigned by international credit-rating agencies and large state-controlled financial institutions. Wealth management products are issued by major domestic banks investing in low risk underlying assets, which mainly consist of bank deposits, treasury bond, central bank bill, local government debt, corporate bond or debt with high credit ratings and low credit risks.

The accounts receivable of the Group is primarily comprised of receivables due from customers and telecommunications operators. Accounts receivable from customers are spread among an extensive number of customers and the majority of the receivables from customers are due for payment within one month from the date of billing. Other receivables primarily comprise interest receivable from banks, utilities deposits and rental deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis, taking into account the counter parties' financial position, the Group's past experience and other factors. As such, management considers the aggregate risks arising from the possibility of credit losses is limited and to be acceptable.

Except for the deferred consideration for the transfer of Tower Assets, concentrations of credit risk with respect to accounts receivable are limited due to the Group's customer base being large and unrelated. As such, management does not expect any significant losses of accounts receivable that have not been provided for by way of allowances as shown in note 24(c).

The deferred consideration for the transfer of Tower Assets are due from China Tower, which is the Company's associate. China Tower is expected to generate stable cash flows from its principal business of leasing tower related assets. Therefore, management considers the risk that the deferred consideration for the transfer of Tower Assets are uncollectible is low.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

Liquidity risk refers to the risk that funds will not be available to meet liabilities as they fall due, and results from timing and amount mismatches of cash inflow and outflow. The Group manages liquidity risk by maintaining sufficient cash balances and bank deposits (which are readily convertible to known amounts of cash) to meet its funding needs, including working capital, principal and interest payments on debts, dividend payments and capital expenditures.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on the undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on prevailing rates at the balance sheet date) and the earliest date the Group would be required to repay:

		As of December 31, 2015			
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand Million	More than 1 year but less than 3 years Million	More than 3 years but less than 5 years Million
Accounts payable	243,579	243,579	243,579	—	—
Bills payable	645	645	645	—	—
Accrued expenses and other payables	163,404	163,404	163,404	—	—
Amount due to ultimate holding company	7,276	7,339	7,339	—	—
Interest-bearing borrowings	4,995	5,410	225	5,185	—
	<u>419,899</u>	<u>420,377</u>	<u>415,192</u>	<u>5,185</u>	<u>—</u>
		As of December 31, 2014 (As restated)			
	Carrying amount Million	Total contractual undiscounted cash flow Million	Within 1 year or on demand Million	More than 1 year but less than 3 years Million	More than 3 years but less than 5 years Million
Accounts payable	227,577	227,577	227,577	—	—
Bills payable	674	674	674	—	—
Accrued expenses and other payables	138,706	138,706	138,706	—	—
Amount due to ultimate holding company	14,519	14,588	14,588	—	—
Interest-bearing borrowings	5,992	6,664	1,254	5,410	—
Obligations under finance leases	68	71	71	—	—
	387,536	388,280	382,870	5,410	—

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group consistently monitors the current and potential fluctuation of interest rates to monitor the interest rate risk on a reasonable level. As of December 31, 2015, the Group did not have any interest-bearing borrowings at variable rates, but had RMB5,000,000,000 (2014: RMB5,000,000,000) of bonds and RMB7,274,000,000 (2014: RMB4,181,000,000) of short-term bank deposits placed by CMCC, both of which were at fixed rate and expose the Group to fair value interest rate risk. The Group determines the amount of its fixed rate borrowings depending on the prevailing market condition. Management does not expect fair value interest rate risk to be high as the interest involved will not be significant.

As of December 31, 2015, total cash and bank balances of the Group amounted to RMB407,762,000,000 (2014: RMB436,786,000,000), and interest-bearing receivables amounted to RMB63,085,000,000 (2014: nil), which mainly included undiscounted deferred consideration of RMB57,585,000,000 in connection with the transfer of Tower Assets and short-term loans of RMB5,000,000,000 provided to other companies. The interest income for 2015 was RMB15,852,000,000 (2014: RMB16,270,000,000; 2013: RMB15,368,000,000) and the average interest rate was 3.75% (2014: 3.74%; 2013: 3.63%). Assuming the total cash and bank balances and interest-bearing receivables are stable in the coming year and interest rate increases/decreases by 100 basis points, the profit for the year and total equity would approximately increase/decrease by RMB3,531,000,000 (2014: RMB3,276,000,000; 2013: RMB3,249,000,000).

(d) Foreign currency risk

The Group has foreign currency risk as certain cash and deposits with banks are denominated in foreign currencies, principally US dollars and Hong Kong dollars. As the amount of the Group's foreign currency cash and deposits with banks represented 1.4% (2014: 1.4%) of the total cash and deposits with banks and predominantly all of the business operations of the Group are transacted in RMB, the Group does not expect the appreciation or depreciation of the RMB against foreign currency will materially affect the Group's financial position and result of operations.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as of December 31 except as follows:

	<i>As of December 31, 2015</i>		<i>As of December 31, 2014</i>	
	<i>Carrying Amount Million</i>	<i>Fair value Million</i>	<i>Carrying amount Million</i>	<i>Fair value Million</i>
Interest-bearing borrowings – bonds issued by Guangdong Mobile	4,995	5,150	4,992	4,951

The fair value of bonds is based on quoted market prices (level 1: quoted price (unadjusted) in active markets) at the balance sheet date without any deduction for transaction costs.

38 COMMITMENTS

(a) Capital commitments

The Group's capital expenditure contracted for as of December 31 but not provided in the consolidated financial statements were as follows:

	<i>2015 Million</i>	<i>2014 As restated Million</i>
Land and buildings	9,054	7,549
Telecommunications equipment	<u>25,612</u>	<u>24,951</u>
	<u>34,666</u>	<u>32,500</u>

38 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases as of December 31, are as follows:

	<i>Land and buildings Million</i>	<i>Leased lines and network assets Million</i>	<i>Others Million</i>	<i>Total Million</i>
As of December 31, 2015				
Within one year	9,785	14,776	1,197	25,758
After one year but within five years	19,211	6,446	1,211	26,868
After five years	<u>5,375</u>	<u>2,666</u>	<u>73</u>	<u>8,114</u>
	<u>34,371</u>	<u>23,888</u>	<u>2,481</u>	<u>60,740</u>
As of December 31, 2014 (As restated)				
Within one year	9,801	7,351	953	18,105
After one year but within five years	18,975	4,020	1,046	24,041
After five years	<u>5,848</u>	<u>991</u>	<u>21</u>	<u>6,860</u>
	<u>34,624</u>	<u>12,362</u>	<u>2,020</u>	<u>49,006</u>

The Group leases certain land and buildings, leased lines and network assets, motor vehicles, computer and other office equipment under operating leases. None of the leases include contingent rentals.

39 POST BALANCE SHEET EVENT

After the balance sheet date, the Board of Directors proposed a final dividend for the year ended December 31, 2015. Further details are disclosed in note 35(a)(i).

40 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

Note 17 contains information about the assumptions relating to goodwill impairment, and note 36 contains information about the judgements on the lease classification of leasing of TD-SCDMA network capacity. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful accounts

The Group assesses impairment loss for doubtful accounts based upon evaluation of the recoverability of the accounts receivable and other receivables at each balance sheet date. The estimates are based on the aging of the accounts receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the customers were to deteriorate, additional impairment may be required.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are determined based on the Group's historical experience with similar assets and take into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

40 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of property, plant and equipment, interest in associates, goodwill and other intangible assets

The Group's property, plant and equipment comprise a significant portion of the Group's total assets. Changes in technology or industry conditions may cause the estimated period of use or the value of these assets to change. Property, plant and equipment, interest in associates and other intangible assets subject to amortization, are reviewed at least annually to determine whether there is any indication of impairment. The recoverable amount is estimated whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. In addition, for goodwill and other intangible assets with indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable estimation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in further impairment charge or reversal of impairment in future periods. Additional information for the impairment assessment of property, plant and equipment and the goodwill impairment is disclosed in notes 14 and 17, respectively.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS, INTERPRETATIONS AND DISCLOSURES ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2015

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and new standards and interpretations which are not yet effective for the year ended December 31, 2015 and which have not been adopted in these consolidated financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

	<i>Effective for accounting periods beginning on or after</i>
Amendment to IFRS 11, "Joint Arrangements"	January 1, 2016
Amendment to IAS 16, "Property, Plant and Equipment"	January 1, 2016
Amendment to IAS 38, "Intangible Assets"	January 1, 2016
Amendment to IFRS 10, "Consolidated Financial Statements"	January 1, 2016
Amendment to IAS 28, "Investments in Associates and Joint Ventures"	*
Amendment to IAS 27, "Separate Financial Statements"	January 1, 2016
Annual Improvement to IFRSs 2012-2014 cycle	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 9 "Financial Instrument"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019

* The amendments were originally intended to be effective for annual periods beginning on or after January 1, 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Management is assessing the impact of such new standards, amendments to standards and will adopt the relevant standards, amendments to standards in the subsequent periods as required.

42 CONDENSED FINANCIAL INFORMATION OF THE COMPANY

(a) Condensed statements of comprehensive income

	<u>2015</u> Million	<u>2014</u> Million	<u>2013</u> Million
Dividend income	43,848	50,451	67,806
Operating expenses	(77)	(81)	(87)
Interest income	25	53	14
Other gains/(losses)	61	(93)	54
Finance costs	(3)	(2)	(105)
Profit before taxation	43,854	50,328	67,682
Taxation	—	—	—
PROFIT FOR THE YEAR	43,854	50,328	67,682
Other comprehensive income for the year	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>43,854</u>	<u>50,328</u>	<u>67,682</u>

42 CONDENSED FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

(b) Condensed balance sheets

	<i>As of</i> <i>December 31,</i> <i>2015</i> Million	<i>As of</i> <i>December 31,</i> <i>2014</i> Million
Non-current assets	485,109	485,110
Current assets	2,103	4,864
Current liabilities	281	12
Non-current liabilities	4,995	4,992
NET ASSETS	<u>481,936</u>	<u>484,970</u>
TOTAL EQUITY	<u>481,936</u>	<u>484,970</u>

In the Company's balance sheets, an investment in a subsidiary is stated at cost less impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Condensed statements of cash flows

	<i>2015</i> Million	<i>2014</i> Million	<i>2013</i> Million
Net cash used in operating activities	<u>(78)</u>	<u>(81)</u>	<u>(69)</u>
Net cash generated from investing activities	<u>9,760</u>	<u>7,431</u>	<u>14,785</u>
Net cash used in financing activities	<u>(11,964)</u>	<u>(5,515)</u>	<u>(14,447)</u>
Net (decrease)/increase in cash and cash equivalents	(2,282)	1,835	269
Cash and cash equivalents at beginning of year	3,030	1,295	974
Effect of changes in foreign exchange rate	<u>5</u>	<u>(100)</u>	<u>52</u>
Cash and cash equivalents at end of year	<u>753</u>	<u>3,030</u>	<u>1,295</u>

**Agreement on Purchase of
Existing Telecommunications Towers and Related Assets
by Issuing Shares and Paying Cash Consideration**

This Agreement is made and entered into by and between the following Parties on the date of 14 October 2015 in Beijing, the People's Republic of China ("China").

Sellers:

Seller A: China Mobile Communication Company Limited and its 31 Subsidiaries
 Seller B: China United Network Communications Corporation Limited and its 1 Subsidiary
 Seller C: China Telecom Corporation Limited

China Reform Corporation: China Reform Holdings Corporation Limited

And

Purchaser/Issuer: China Tower Corporation Limited

For the details of the Parties, please refer to Annex 1 hereto.

For the terms used herein, please refer to the definition and interpretation in Annex 2 hereto.

Whereas:

- (A) As at the date of this Agreement, China Tower has a registered capital of RMB 10 billion, whose business scope covers construction, maintenance and operation of telecommunications towers; also on construction, maintenance and operation of base station control rooms, power supplies and air conditioning as well as interior distribution systems; and maintenance of base station equipment. China Telecom Corporation Limited, China United Network Communications Corporation Limited, and China Mobile Communications Company Limited are shareholders of China Tower, respectively holding shares of 29.9%, 30.1%, and 40%.
- (B) For the purpose of building a resource-saving and environment-friendly society, reducing redundant building of telecommunications infrastructures, realizing intensive, scalized, professional and high-efficient operation of telecommunications tower resources, and facilitating sharing of such resources, the Sellers intend to sell to China Tower their existing telecommunication towers and related assets owned by the Sellers, and China Tower consents to purchase and receive, in accordance with the terms and conditions as agreed herein, such telecommunication towers and related assets ("**Assets Transfer**"), and to issue shares to China Reform Corporation for the purpose of raising fund so as to pay partial purchase consideration for such telecommunication towers and related assets, and China Reform Corporation consents to pay in cash in accordance with the terms and conditions agreed herein for subscribing for the shares issued by China Tower ("**Investment Invitation**"), the Investment Invitation and Asset Transfer are collectively referred to as the "**Transaction**").

In this Agreement, All "**Parties**" refers to the Sellers, China Reform Corporation and the Purchaser. the "**Sellers and Purchaser**" or the "**Both Parties**" refer to the Sellers and Purchaser. Seller A, Seller B and Seller C shall be deemed as one Party. China Reform Corporation shall be deemed as one Party, and the Purchaser shall be deemed as the other Party.

Now Therefore, for the purpose of this Transaction, upon friendly negotiations and based on equality and mutual interests, all the Parties agree as follows ("**This Agreement**");

1. Target Assets

- 1.1 The Sellers shall, in accordance with the terms and conditions agreed herein, sell to the Purchaser all assets as listed in Annex 3 hereto (the “**Target Assets**”);
- 1.2 The Sellers and the Purchaser will determine, via inventory check, the Final Target Asset Handover List.

2. Transaction Consideration and Consideration for Share Subscription

- 2.1 According to the Asset Valuation Reports, the appraised value of the Target Assets to be transferred under this Agreement is RMB 213,892,800,900 in total. The details of the the appraised value of Target Assets of each Seller are listed in Annex 4. The appraised value, after having performed its filing in compliance with the relevant China laws and regulations, shall prevail.
- 2.2 The final Transaction Consideration shall be determined by the Sellers and the Purchaser in the following manner:

Transaction Consideration = Appraised value - Depreciation and amortization of the Appraised Assets between the Reference Date and the Completion Date - Value of reduced assets + Value of newly-added assets

Where:

- (1) The amount of depreciation and amortization shall be calculated with reference to the remaining useful life and the appraised value of the assets as set forth in the Valuation Reports;
 - (2) The value of reduced assets includes the appraised assets that are in shortage upon stocktaking, scrapped or confirmed by all parties not to be handed over, receivables that have been recovered, and the corresponding appraised value of construction-in-progress which have already been completed; and
 - (3) The value of newly-added assets include the corresponding book value of newly-added Target Assets and the corresponding appraised value of repaid liabilities, of which, the assets as setpower supplies and air communication towers and related assets that, as at the Completion Date, fall within the definition of Target Assets in Annex 3 hereto and are beneficially owned by the Sellers, but have not been included in the scope of appraised assets, which include newly added fixed assets, construction-in-progress, construction materials, long-term deferred expenses, intangible assets and other telecommunications towers related assets that are acquired by the Seller, between the reference date and the Completion Date, and telecommunications towers related assets that are in excess upon on-site stocktaking by all parties at handover. Book value is determined by reference to the book value of the relevant assets on the Completion Date as recorded by the Seller in accordance with its usual accounting standards. For assets in excess upon stocktaking whose book value cannot be determined, the book value of similar assets shall be taken as reference.
- 2.3 Consideration for Share Subscription by China Reform Corporation

Consideration for Share Subscription by China Reform Corporation = Issuing Price per Share * Number of shares subscribed by China Reform Corporation

- 2.4 Each of the Parties agrees to confirm the final Transaction Consideration at the time when the Completion Confirmation is executed in accordance with Article 4.4 herein.
- 2.5 The Purchaser consents to pay the Transaction Consideration to the Sellers by the issuance of shares (“Share Consideration”) and in cash (“Cash Consideration”), and to issue new shares to China Reform Corporation to realize Investment Invitation, where:

- (1) The issuing Price per Share is RMB1.00. The shares shall be issued based upon the principles as stipulated in this Article as follows and subject to the reference of the existing telecommunication towers and related assets as sold by Seller C and China Telecommunications Group Corporation and its subsidiaries. Accordingly, the new shares to be issued by the Purchaser shall be no more than 135,028,630,000, where:
- (i) The Purchaser shall issue a maximum of 51,110,880,000 shares to Seller A (including Seller A1 to Seller A10) and Seller A shall subscribe for such shares with its partial Target Assets. Seller A shall make internal distribution on such shares to be subscribed among Seller A1 to Seller A10 based upon their respective value of Target Assets handed over. If the Transaction Consideration causes any changes in the injected assets due to any reconciliation of this Article 2, Seller A may, based upon the actual situation, reconcile to reduce the subscribing parties.
 - (ii) The Purchaser shall issue a maximum of 37,743,050,000 shares to Seller B1 and Seller B1 shall subscribe for such shares with its partial Target Assets.
 - (iii) The Purchaser shall issue a maximum of 37,472,990,000 shares to Seller C and Seller C shall subscribe for such shares with all of its Target Assets and RMB cash. Such RMB cash consideration for share subscription shall equal to the Transaction Consideration of the existing telecommunication towers and related assets transferred by China Telecommunications Group Corporation and its subsidiaries to the Purchaser.
 - (iv) The Purchaser shall issue a maximum of 8,701,720,000 shares to China Reform Corporation and China Reform Corporation shall subscribe for such shares in cash.
 - (v) Upon completion of issuance of the aforementioned shares, Seller A (including Seller A1 to Seller A10), Seller B1, Seller C and China Reform Corporation will hold 38.0%, 28.1%, 27.9% and 6.0% of the share capital of the Purchaser, respectively.
- (2) Seller C and China Reform Corporation shall pay their cash consideration for share subscription within 30 days upon determination of the Transaction Consideration in accordance with Article 2.4 herein.
- (3) The Purchaser shall pay in Cash Consideration to Seller A and Seller B for any and all differences between the Share Consideration and Transaction Consideration, among which:
- (i) The Purchaser will pay the first instalment of Cash Consideration of RMB5 billion to Seller A within 30 days after it has received the the subscription proceeds from China Reform Corporation.
 - (ii) The Purchaser will pay the first instalment of Cash Consideration of RMB3 billion to Seller B within 30 days after it has received the the subscription proceeds from China Reform Corporation.
 - (iii) The remaining balance of the Cash Consideration shall be settled on or before 31 December 2017. Interest shall accrue on the unpaid cash consideration from the day following the Completion Date and the interest rate is 90% of the one-year loan prime rate (LPR) for financial institutions as published by the People's Bank of China on the Completion Date. The Purchaser shall pay the Sellers such interest on each 30 June and 31 December. And the Sellers consent that the Purchaser has the option to settle the Cash Consideration earlier.

- 2.6 Each of the Parties consents to complete share issuance and subscription within 30 days upon determination of the Transaction Consideration in accordance with Article 2.4 herein by the Sellers and the Purchaser, and the date on which the Share Subscription Agreement (Annex 5 hereto) is duly signed and executed by each of the Parties shall be the Completion Date for share issuance. The Purchaser will proceed with such formalities in relation to change of the Register of Members, amendment to the Articles of Association, filing of such change or amendment with competent AIC, and obtaining the Business License indicating increase of registered capital within 30 days upon completion of share issuance and subscription.
- 2.7 Unless otherwise notified in writing, one Party shall pay its cash consideration (if any) involved in this Transaction to the bank account designated by the Other Party. See Annex 6 hereto for particulars of the bank accounts designated by each of the Parties.
- 2.8 Upon completion of this Transaction, China Reform Corporation is entitled to nominate one (1) director.

3. Conditions Precedent to Completion

3.1 Completion of the Transaction is subject to whether all of the following Conditions are satisfied or exempted:

- (1) All the statements and guarantees made by each of the Sellers on the signature date of this Agreement remain true, accurate, intact and all material respects do not mislead, be deceptive or omit;
- (2) Each of the Sellers has approved the Transaction in accordance with its constitutional documents; and for Seller B, such internal approval shall include the approval by and from Affiliates of China Unicom (Hong Kong) Limited and China United Network Communications Limited;
- (3) China Reform Corporation has approved the Transaction in accordance with its constitutional documents;
- (4) The Purchaser has approved the Transaction in accordance with its constitutional documents; and
- (5) The Transaction has been examined and approved by, and filed and registered with, all competent Chinese governmental authorities, including but not limited to any and all approvals by and from the Ministry of Commerce of China; and the Valuation Reports concerned have been filed with competent authorities in accordance with any and all applicable national laws and regulations.

As for the Conditions Precedent to Completion listed above, (i) those specified in Articles 3.1(1) and (2) shall be the Sellers' Conditions Precedent; and (ii) those specified in Article 3.1(3) shall be China Reform Corporation's Conditions Precedent; and (iii) those specified in Article 3.1 (4) shall be the Purchaser's Conditions Precedent; and (iv) those specified in Article 3.1 (5) shall be mutual Conditions Precedent.

- 3.2 Each of the Parties consents to procure the Conditions Precedent as specified in Article 3.1 to be satisfied as soon as possible prior to the Completion Date.
- 3.3 If all of the aforementioned Conditions Precedent is not satisfied or exempted prior to the Completion Date, each of the Parties will otherwise consult to determine in writing the deadline to satisfy such Conditions Precedent, or the termination of this Agreement (except for the surviving articles). Under such circumstances, none of the Parties (or their Affiliate or Affiliates) shall lodge any claim of any nature against the other Party or Parties (or its/ their Affiliate or Affiliates) based upon this Agreement, except for those involving any right or liability arising prior to such termination or from any of the surviving articles.

4. Completion and Handover

- 4.1 Each of the Parties hereby confirms that, unless otherwise agreed by each of the Parties, the ownership and risks in relation to the Target Assets shall be transferred on the date of 31 October 2015 (the "**Completion Date**").

- 4.2 The Sellers and the Purchaser consent to cooperate and coordinate with each other to complete the Target Assets handover preparation. Unless otherwise agreed, the handover of the Target Assets shall be on the Completion Date.
- 4.3 Attribution of the Target Assets and Related Liabilities
- (1) Since the next day following the Completion Date, the Target Assets will be deemed as legally owned by the Purchaser. Unless otherwise agreed, on or before the Completion Date (including the Completion Date), any and all rights and interests in relation to the Target Assets shall be owned by the Sellers, and any and all obligations and liabilities in relation to the Target Assets shall be borne by the Sellers. After the Completion Date, any and all rights and interests in relation to the Target Assets shall be owned by the Purchaser, and any and all obligations and liabilities in relation to the Target Assets shall be borne by the Purchaser.
 - (2) As for each single Cell Site, upon completion of onsite Handover, the Purchaser shall be responsible for the maintenance of telecommunications towers and related assets. Each of the Parties shall sign the Existing Telecommunications Tower Onsite Tangible Handover Form upon completion of cell-by-cell onsite Handover, so as to confirm the Handover of such assets and maintenance. The date on which the Existing Telecommunications Tower Onsite Tangible Handover Form is signed is the Handover Day.
 - (3) Since the next day following the Completion Date, the Sellers are entitled to continue to use the telecommunications towers and related assets. Upon the service fee for the telecommunications towers and related assets is fixed by the Sellers and the Purchaser, the Sellers shall pay such service fees as of the next day following the Completion Date. Unless otherwise agreed by each of the Parties, any and all maintenance costs in relation to the telecommunications towers and related assets on or before the Completion Date shall be borne by the Sellers, and shall be borne by the Purchaser after the Completion Date.
- 4.4 The Sellers and the Purchaser shall conduct the Handover of Target Assets according to the Handover Plan in Annex 7 hereto. The Sellers and the Purchaser consent:
- (1) The Sellers and the Purchaser shall complete the Handover within 30 days after the Completion Date (or any other date as agreed by each of the Parties), and sign the headquarter-level Handover Confirmation. Prior to signing the said Confirmation, the core handover matters (please see Subparagraph (5) of Article 5.1.3 specified in Annex 7 hereto) shall be substantially completed and its successive matters be arranged.
 - (2) In case it fails to complete the whole Handover before such timeframe, the Sellers and the Purchaser consent to continue to complete the Handover in accordance with Annex 7 hereto, or to deal with it according to the Confirmation arranged by the Sellers and the Purchaser.
 - (3) If the Sellers and the Purchaser fail to complete the Handover of any Cell Site (if any) within 2 months after the Completion Date, the headquarters of such Parties shall consult with each other and find out a solution.

4.5 Special Covenants

- (1) The Sellers and the Purchaser shall mutually proceed the transfer of any related house ownership certificate and land use right. As for those land and premises assets within the scope of the Target Assets and the Sellers have disclosed in the Transaction Documents that there is any defects and unable to obtain the related ownership certificates, each of the Parties consents to make the handover with its current status. However, the Sellers will provide the Purchaser any necessary assistance in proceeding with the related titles later, and the Purchaser shall bear the costs incurred.
 - (2) The Sellers confirm that the documents (subject to Annex 7 hereto) in relation to Target Assets are transferred to the Purchaser in original form as genuine, accurate and complete, or in copy or duplicate form as true copies of the original. As for any incompleteness of any document due to any objective reasons, each of the Parties shall make friendly consultation.
 - (3) Except for Article 10 of Annex 7 hereto or unless otherwise agreed by each of the Parties, all contracts in relation to Target Assets signed by the Sellers with any third parties shall in principle be transferred and renamed under the Purchaser (the **"Renamed Contracts"**). As for any Renamed Contracts, the threshold for division of relevant rights and obligations shall be as follows: the rights and obligations originally owned by the Sellers on or before the Completion Date shall be owned and borne by such Seller; and the rights and obligations originally owned by the Sellers under such Renamed Contracts after the Completion Date shall be fully owned and borne by the Purchaser. For any contracts that fail to obtain consents from any other parties of the contracts so that fail to be transferred by the Sellers to the Purchaser prior to the Completion Date (the **"Non-renamed Contracts"**), the Sellers shall own them on behalf of the Purchaser. Any and all rights or obligations, and gains or losses under such Non-renamed Contracts as of the Completion Date, except for those otherwise specified herein, shall be attributed to the Purchaser. The Purchaser shall indemnify the Sellers for any loss and/or additional expenditure suffered by such Sellers arising from holding such contracts, except for those caused by the Sellers.
 - (4) As for any Cell Sites beyond the management and control of the Sellers, if determined by the Sellers and the Purchaser as a site impossible to enter, each of the Parties consents to :
 - i. Hand over those Cell Sites in operation, and the Purchaser shall undertake maintenance work for such Cell Sites to the extent practicable, and make utmost endeavors to keep sound relationship with the owners of such Cell Sites.
 - ii. not to hand over those that are not in operation as confirmed by both the Sellers and the Purchase.
- 4.6 The Sellers and Purchaser consent to perform in good faith and complete the Handover work subject to Annex 7 (Handover Plan). If any Party commits any deliberate, reckless, or grossly negligent conduct, and causes the Handover work or any related business suspended, such Party shall assume the corresponding liabilities.

5. Pre-completion Undertakings

5.1 The Sellers undertake:

- (1) to provide all necessary conditions for the Purchaser to conduct stock-take on the Target Assets, and allow the Representatives of the Purchaser, upon receipt of reasonable notice, to enter the premises where the Target Assets are managed and in use, and furnish the Purchaser with all necessary information, materials and assistance; and
- (2) to the best knowledge of the Sellers, to notify and consult with the Purchaser of any matter that would have any material adverse change to the Target Assets, and/or demolition or relocation of any Cell Sites.

- 5.2 Except for the normal allowance of depreciation and amortization, wear and tear, rejection, recovery of receivables, repayment of debts and transfer of ongoing projects into fixed assets, without the written consents of the Purchaser, the Sellers will not dispose any Target Assets.
- 5.3 Unless otherwise agreed by each of the Parties, the Sellers undertake that, after the Completion Date, in relation to the Target Assets that are not yet handed over to the Purchaser, the aforementioned undertakings shall continue to apply.

6. Arrangements for Transition Period

- 6.1 The Sellers and the Purchaser consent, in accordance with Annex 7 hereto, to complete and perform the relevant arrangements for the Transition Period.

7. Joint Work Teams

- 7.1 The Sellers and the Purchaser consent to form Joint Work Teams, so as to ensure the stable operation and transition of the Target Assets.

8. The Sellers' Statements and Guarantees

- 8.1 As at the signature date of this Agreement and the Completion Date, except for the matters disclosed in the Transaction Documents or otherwise agreed by each of the Parties, each Seller severally but not jointly makes the following statements and guarantees to the Purchaser:
- (1) Its execution and performance of this Agreement:
 - i. will not lead to any breach of any provision stipulated in its internal organizational documents and other related documents, or violation of any applicable laws, regulations or rules;
 - ii. will not lead to any breach of any material contracts, agreements and licenses signed by such Seller or violation of any order, judgment or decree issued or published by any court, governmental or regulatory authority;
 - iii. prior to the Completion Date, perform any necessary procedures required by any applicable law and/or any binding agreements and documents, except for those that has no material adverse impact on the Purchaser's operation of the Target Assets.
 - (2) All statements and guarantees as specified in Annex 8 hereto;
 - (3) Since 1 January 2015, such Seller and its subsidiaries or branches shall, in principle, not construct on their own any infrastructure facilities, including telecommunications towers, and the indoor distribution systems for key sites of public transportation such as metros, railways, highways, airports, stations, and buildings including large stadiums, buildings owned by more than one owner designed for office and residential purposes, buildings used by governmental authorities or political parties and any other key premises.
 - (4) Such Seller will complete its Handover as soon as possible according to the terms and conditions as specified herein.
 - (5) Should any statement made by such Seller be proven false, omitted and/or misleading, and cause any loss and damages to the Purchaser, such Seller shall indemnify the Purchaser against any direct loss actually suffered.

- 8.2 Whereas Seller A will have multiple entities (Seller A1 to A10) to hold the shares of the Purchaser upon the completion of share issuance, for the purpose of unified management, Seller A undertakes that the shareholders' rights and obligations in relation to the shares of the Purchaser held by such persons according to the terms and conditions herein shall be solely and uniformly exercised and performed by Seller A1. Seller A will make reasonable endeavors to transfer all shares of the Purchaser held by Seller A1's subsidiaries to Seller A1 for the purpose of unified holding within 30 days after the completion of share issuance or prior to 31 December 2015.

9. China Reform Corporation's Statements and Guarantees

- 9.1 As at the signature date of this Agreement and the Completion Date, China Reform Corporation makes the following statements and guarantees:
- (1) China Reform Corporation is a company duly incorporated and legally existing under the applicable laws of China, and has been granted the sufficient power to execute this Agreement and perform any rights and obligations hereunder;
 - (2) Its execution and performance of this Agreement:
 - i. will not lead to any breach of any provision stipulated in its internal organizational documents and other related documents, or violation of any applicable laws, regulations or rules;
 - ii. has performed/ will perform any necessary procedures required by any applicable law and/or any binding agreement and document, which has not led or will not lead to any breach of any significant contracts, agreements and licenses signed by China Reform Corporation or violation of any order, judgment or decree issued or published by any court, governmental or regulatory authority;
 - (3) China Reform Corporation will pay the consideration for share subscription according to the terms and conditions as specified herein.

10. The Purchaser's Statements and Guarantees

- 10.1 As at the signature date of this Agreement and the Completion Date, the Purchaser makes the following statements and guarantees:
- (1) The Purchaser is a company duly incorporated and legally existing under the applicable laws of China, and has been granted the sufficient power to execute this Agreement and perform any rights and obligations hereunder;
 - (2) Its execution and performance of this Agreement:
 - i. will not lead to any breach of any provision stipulated in its internal organizational documents and other related documents, or violation of any applicable laws, regulations or rules;
 - ii. has performed/ will perform any necessary procedures required by any applicable law and/or any binding agreement and document, which has not led or will not lead to any breach of any significant contracts, agreements and licenses signed by the Purchaser or violation of any order, judgment or decree issued or published by any court, governmental or regulatory authority;

- (3) The Purchaser will pay the Transaction Consideration and complete the Handover as soon as possible according to the terms and conditions as specified herein.
- 10.2 The Purchaser guarantees and undertakes that, subject to the requirements as stipulated by the applicable laws, regulations and rules, will comply with and implement all matters as expressly undertaken to China Communications Services Corporation Limited as at the date of its incorporation.
- 10.3 The Purchaser guarantees and undertakes that, in relation to any equipment rooms not accepted in the scope of Target Assets, if the Sellers furnish any of the equipment rooms to the Purchaser for use, the Purchaser will follow such Seller's system on equipment room management. In case of any damages caused to such Seller arising from such use, the Purchaser will make corresponding indemnification.

11. Default Liabilities

- 11.1 Any of the following conducts committed by any Party, which lead to failure in the completion of handover, or payment of Transaction Consideration or consideration for share subscription, shall constitute an event of Default: (i) any statement and/or guarantee made herein by such Party is in material aspects ingenuine, inaccurate or incomplete, or (ii) any statement made by such Party is in material aspects false, omitted or misleading, or (iii) any breach by such Party of any undertakings made herein by such Party, or (iv) any breach by such Party of any provision herein.
- 11.2 Unless otherwise agreed by each of the Parties, the Breaching Party or Parties shall indemnify such Observing Party or Parties against any direct loss actually suffered by the Observing Party or Parties (that is, excluding any actual or anticipated indirect or contingent loss). For the avoidance of any doubt, in relation to the Asset Transfer, the Observing Party or Parties and Breaching Party or Parties shall only be applicable to the Sellers and the Purchaser; and in relation to the Investment Invitation, the Observing Party or Parties and Breaching Party or Parties shall only be applicable to China Reform Corporation and the Purchaser.
- 11.3 Should the Purchaser fail to pay any part of the Transaction Consideration or any interest related in accordance with Article 2.5 herein, as of the first day from the payment date as specified in written notice given by any of the Sellers, for each one day of overdue payment, the Purchaser will pay such Seller an overdue penalty on the overdue unpaid amount subject to the standard 6-month loan prime rate (LPR) as published by the People's Bank of China.
- 11.4 If any of the Sellers is, after the signature date of this Agreement, aware of any event that may lead to any falseness, inaccuracy or misleading of any statements, guarantees and undertakings in any material aspect affecting the financial or operational status of the Target Assets, such Seller will make its utmost endeavors to notify the Purchaser in writing within a reasonable period.
- 11.5 As for any event of Default hereunder, the Parties shall make friendly consultation with each other and file with their respective headquarters for unified handling.
- 11.6 As for the liabilities hereunder arising from any event of Default to be assumed by the Breaching Party or Parties, the damages to be indemnified shall be in total less than 30% of the Transaction Consideration as agreed in Article 2 herein, or 10% of the Consideration for Share Subscription by China Reform Corporation (solely applicable to any Default arising between China Reform Corporation and the Purchaser), and the threshold for assuming such indemnity liability shall be RMB 1,000,000; AND the Observing Party or Parties shall lodge its or their claims in writing with the Breaching Party or Parties within 90 days after such Party or Parties is/ are aware of such event of Default, otherwise, the Breaching Party will no longer assume any liability in relation to such event of Default. Upon expiry of 24 months after the Completion Date, no Party will assume any default liabilities arising from its breaching of any statements and guarantees hereunder made by such Party, except for those as for which the Observing Party or Parties has lodged claims with such Breaching Party. For the avoidance of doubt, no payment liability to be assumed by the Purchaser to the Sellers may be exempted or limited by any provision in this Article 11 herein.

12. Any Third Party Claims

- 12.1 As for any disputes or controversies that occur on or after the Completion Date or upon Handover but arise from any actions or facts on the Target Assets before the Completion Date, if the Purchaser is aware of any claims, lawsuits or potential claims made by any Third Party ("**Any Third Party Claims**") that the Sellers shall undertake in accordance with this Agreement, the Purchaser will notify the Sellers.
- 12.2 As for any disputes or controversies arising from any actions or facts that occur after the Completion Date, if any of the Sellers is aware of Any Third Party Claims that the Purchaser shall undertake in accordance with this Agreement, such Seller will notify the Purchaser.
- 12.3 Unless otherwise agreed herein:
- (1) Any Party who is aware of Any Third Party Claims will notify the other party within 15 working days after the receipt of such Claims, and permit such other party and its Representatives to acquire any reasonable documents and assistance. The other party will make written response within 15 working days upon the receipt of such notice.
 - (2) Without prior written consent from the other party, the Parties shall not admit any liability or make any agreements or pursue any compromise, or reach any other arrangements creating obligations or liabilities upon the other parties, in relation to any third party claims.
 - (3) Subject to any indemnity against any actual fees therefrom:
 - i. any and all actions reasonably required by the Other Party will be taken, so as to avoid, reject or object to any and all Third Party Claims, or in relation to any and all Third Party Claims, to appeal, settle or defense;
 - ii. to the extent permitted by the applicable laws, the Other Party (if it selects so) is permitted to undertake all legal proceedings and/or negotiations incurred by any and all Third Party Claims; and
 - iii. in relation to preparation for and conduct of any legal proceedings and/or negotiations in relation to any and all Third Party Claims, furnish the Other Party with any necessary documents and assistance (if necessary) as reasonably required by such Other Party.
- 12.4 The Sellers will indemnify, and hold the Purchaser harmless from, any loss, liability, judgment and/or expense suffered or incurred by the Purchaser where any actual or potential dispute, claim or lawsuit involving the Target Assets exists or occurs on or before the Completion Date, or occurs after the Completion Date but arises from the Target Assets on or before the Completion Date.

13. Announcement

- 13.1 Without prior consents from the Other Party (which shall not be rejected or delayed without reason), none of the Parties (or any of their Affiliates) will publish any Announcement or send any circular on the existence or subject matter of this Agreement(or any other Transaction Documents).

- 13.2 If a Notice, Announcement or circular is required by law or competent stock exchange or any regulatory or other supervising authorities (no matter whether such requirements are legally binding) to be published, the limitation as stipulated in Article 13.1 shall not apply. In such case, the Party publishing such Announcement or sending such circular shall make reasonable endeavors to notify and consult with the Other Party in advance as for the form, particulars and time of such Announcement or circular.

14. Confidentiality

- 14.1 Any information furnished by the Party possessing such information (“**Owner**”) to the other party (“**Recipient**”) according to this Agreement, including, but not limited to, any information in relation to the Target Assets, or any information in relation to the terms of this Agreement and/or other Transaction Documents and relevant negotiations (hereinafter collectively referred to as the “**Confidential Information**”), shall only be used by the Recipient and its persons for the purpose of this Agreement. Unless otherwise specified herein, as for any Confidential Information furnished by the Owner, without written consents from such Owner, neither the Recipient nor any person of the Recipient who is aware of such Confidential Information shall directly or indirectly furnish, disclose or transfer to any third party in whatever way, or permit any third party to use, or rely on such Confidential Information to provide any third party with any opinion or suggestion. For the purpose of this Article, “Third Party” refers to as any individual, corporation, or any other entity, except for any Affiliate or Affiliates to the Parties.
- 14.2 Any information furnished or disclosed by the Owner to the Recipient may be disclosed by such Recipient to the employee or employees designated by such Recipient only for the purpose and to the extent necessary for implementation of this Agreement. However, prior to take all reasonable prevention steps, no Recipient may disclose any Confidential Information to its employee or employees, and such prevention steps may include, but not limited to, notifying such employee or employees the confidentiality of such information to be disclosed, and requiring such employee or employees to make confidentiality undertakings at least equivalent to the Confidentiality as specified herein, so as to prevent such employee or employees from use of such Confidential Information for personal interest or make any unauthorized disclosure to any Third Party. Any breach of such confidentiality obligation by any employee of the Recipient shall be deemed as a breach of such confidentiality obligation by such Recipient.
- 14.3 Where any lawyer, accountant, contractor, consultant or advisor retained by the Recipient needs to get the Confidential Information for the purpose of provision of professional assistance, the Recipient may disclose to such persons such requested Confidential Information; however, shall require such persons to sign confidentiality agreements or perform their confidentiality obligations pursuant to the applicable occupational moral standards.
- 14.4 If the Recipient is required by any competent governmental or regulatory authority or authorities to disclose any Confidential Information, the Recipient may, to the extent required by such authority or authorities, be exempted from any responsibility hereunder. However, provided that, (i) such Recipient shall forthwith notify the Owner in writing of the information required to be disclosed, so as to facilitate such Owner to take any necessary protection measures; and (ii) such Notice shall be given as much as possible prior to disclosure of such information; and (iii) such Recipient shall use commercial reasonable endeavors to ensure such information disclosed to be treated as confidential by such authority or authorities.
- 14.5 The confidentiality obligation herein shall be perpetual, surviving, effective and valid.
- 14.6 The confidentiality obligation herein shall not apply if the information disclosed:

- (1) is already in possession of the public at the time of disclosure by the Owner or becomes available to the public after disclosure by the Owner except those due to any negligence conducted by the Recipient or any of its employees, lawyers, accountants, contractors, consultants, advisors or other persons; or
 - (2) is proven by written evidence or evidences that such information is already in possession of the Recipient at the time of disclosure by the Owner, and is not directly or indirectly sourced from the Owner; or
 - (3) is proven by written evidence or evidences that such information is already disclosed by a Third Party to the Recipient, and such Third Party is imposed upon no confidentiality obligation and entitled to make such disclosure.
- 14.7 As at cancellation, rescission or termination of this Agreement, the Recipient shall forthwith cease to use and permit no Third Party to use the Confidential Information furnished by the Owner; and meanwhile, such Recipient shall, upon the written request made by such Owner, return to such Owner or delete or destroy any and all Confidential Information furnished by such Owner. And as for such information, no holding in whatever form may be permitted.

15. Non-transferability

- 15.1 Unless made subject to this Agreement or written consents made by each of the Parties, no transfer, assign, mortgage, charge or otherwise disposal (together with this Article 15, collectively refer to as the “Transfer”) in relation to all or part of the rights under this Agreement, nor grant, creation or disposal of any of the rights, interests or obligations therein may be effected by any person. Any Transfer or attempt to Transfer inconsistent with this Article 15 shall be void and null.

16. Further Guarantee

- 16.1 Each of the Parties shall respectively sign and execute (or cause to sign or execute) any other document required by the applicable laws or necessary for implementing this Agreement or keeping this Agreement in force.
- 16.2 Each of the Parties shall respectively procure its Affiliate or Affiliates to undertake all of the obligations expressly applicable to such Affiliate or Affiliates.

17. Taxes and Expenses

- 17.1 Subject to Article 17.2 herein, and unless otherwise specified in this Agreement (or any other Transaction Documents), each of the Parties shall respectively according to law be responsible to assume the costs, expenses and other expenditures arising from the Transaction.
- 17.2 Each of the Parties shall, according to the applicable laws, regulations and national rules or determinations, undertake and pay any and all taxes and all charges imposed by any relevant governmental or regulatory authority or stock exchange.
- 17.3 In relation to the Transaction, unless specified by laws and regulations and otherwise agreed by the Parties, all expenses arising from Handover of the Target Assets shall be reasonably arranged by the Parties and resolved via consultation.

18. Notice

- 18.1 Any notice in connection with this Agreement shall be written in Chinese and delivered in person or by fax, registered mail or express courier recognized by each of the Parties. Such notice shall become valid upon receipt and will be deemed as received: (a) if delivered in person or by registered mail or express courier, upon such delivery; or (b) if delivered by fax, upon transmission by the sending party and evidence showing receipt. In either case, if delivered beyond of working hours, such notice shall be deemed as received at the beginning of the working hours on the next Business Day.
- 18.2 For the purpose of Article 18.1, see Annex 6 hereto for details regarding the address, fax number and any other contact information of each of the Parties.

19. Conflicts with Other Agreements

- 19.1 (In relation to the Parties to this Agreement, and in relation to any Affiliate of the Sellers and any Affiliate of the Purchaser) If there appears any conflict between any provision specified in this Agreement and any provision specified in any other agreements, the provision specified herein shall prevail. If there appears any conflict between any provision specified in any Annex to this Agreement and any provision specified in the articles of this Agreement, the provision specified in the articles of this Agreement shall prevail, unless: (a) any of such other agreements expressly specifies that it is superior to this Agreement in relevant aspects or for relevant purposes; and (b) the Sellers and the Purchaser are the parties to such other agreements, or have made other written arrangements showing such other agreements are superior to this Agreement in relevant aspects or for relevant purposes.
- 19.2 The Agreement and its Annexes consist of the entire legal documents for and in relation to the Transaction, which shall replace any and all prior oral discussions and written agreements on the Transaction made by the Parties, unless otherwise expressly specified in the Transaction Documents.

20. Exemptions, Rights and Remedies

- 20.1 Unless otherwise expressly specified herein, no waiver to exercise, failure to exercise or delay in exercising by any Party of any of its rights, powers or remedies under this Agreement or any of the Transaction Documents shall operate as a waiver of such right, power or remedy, or prevent such Party from exercising at any later time such right, power or remedy, nor any single or partial exercise of any of such right, power or remedy shall preclude any further exercise of such right, power or remedy.

21. Counterparts

- 21.1 The Agreement is written in Chinese and the original of this Agreement consists of 45 counterparts, each of the Parties shall hold one, and the remnants shall be filed with the competent governmental authority or authorities for approval and/or records purpose. Each of such counterparts shall be identically legally binding.

22. Validity and Amendment

- 22.1 The Agreement shall come into force upon signature by the legal representatives or authorized representatives and seal with duly company seals by each of the Parties. Upon execution of this Agreement, any amendment to this Agreement (or any other Transaction Documents) must be made in written form and only becomes valid upon both signatures by the legal representatives or authorized representatives and seal with duly company seals by each of the Parties.

23. Severability

- 23.1 The provisions specified in this Agreement and other Transaction Documents shall be severable. If any of such provisions in any aspect or for any purpose is held or becomes invalid, null, void or unenforceable by any law under any jurisdiction, then, such provision shall be in such aspect or for such purpose invalid, null, void or unenforceable. And each of the Parties shall make their reasonable endeavors to replace such provision by any valid and enforceable provision whose effect and expected effect are in such aspect or for such purpose similar as much as possible as such provision to be replaced.

24. Governing Law and Arbitration

- 24.1 The Agreement shall be governed by, and construed and interpreted in accordance with, the applicable laws of China.
- 24.2 Each of the Parties shall endeavor to, through friendly consultation, resolve any dispute, controversy or claim arising from or in connection with this Agreement or its interpretation or performance (“**Dispute**”), and during such consultation process, any of the Parties concerned may request the competent regulatory authority or authorities to express its or their opinions. If no resolution is worked out via such consultation within 60 days upon forwarding of such Dispute by any Party or Parties to the Other Party or Parties, either such Party or Parties or such Other Party or Parties may file such Dispute for arbitration.
- 24.3 Such Dispute shall be filed with China International Economic and Trade Arbitration Commission (“**CIETAC**”) for a resolution via arbitration in accordance with the effective rules as at the time of arbitration. Such Dispute shall be awarded by an arbitration tribunal composed of three arbitrators. Such Parties shall each select one arbitrator and such two arbitrators shall appoint the third arbitrator. Should such two arbitrators fail to determine selection of such third arbitrator, such third arbitrator shall be appointed by CIETAC.
- 24.4 The arbitration proceedings shall be presided by CIETAC as a presiding institution; and unless otherwise agreed by each of the Parties, shall be conducted in Chinese. And the venue of such arbitration proceedings shall be Beijing.
- 24.5 Any award rendered according to such arbitration proceedings shall be final, conclusive and binding on each of the Parties, which may be enforced subject to its particulars.
- 24.6 The arbitration cost shall be paid by the losing party. Each of the Parties consents that if any Party needs to enforce any arbitration award by resorting to legal proceedings of any nature, the Party against whom such proceedings conduct shall pay all reasonable costs, expenditures and/or lawyers’ or attorneys’ fees.
- 24.7 During the arbitration proceedings, each of the Parties shall, in all other aspects, continue to perform this Agreement.

25. Miscellaneous

- 25.1 Survival of Statements, Guarantees and Rights

Any statement, guarantee and undertaking made hereunder by any of the Sellers, shall, subject to its particulars, shall continue to be valid and effective upon signature of this Agreement and completion of the Transaction.

- 25.2 If any of the Target Assets bears any trademark or logo owned by any of the Sellers, the use of such Target Asset by the Purchaser upon receipt of such Target Asset shall not be deemed as infringement on such Seller’s IPRs or goodwill, and the Purchaser is entitled to remove any of such trademark or logo upon notice to such Seller.

25.3 Force Majeure

In the event of any Force Majeure, the obligations hereunder to be undertaken by the Parties may be suspended during any delay period arising therefrom and automatically be postponed. The duration of such postponement shall be as long as that of such suspension. The Party suffering any adverse effect of such event of Force Majeure (“**Affected Party**”) shall, as soon as possible, notify each of the Other Parties in writing and furnish such Other Parties within 15 days with related valid certificates evidencing the occurrence of such Force Majeure event (including detailed time of occurrence). The Affected Party shall take all reasonable measures to minimize as soon as possible the consequence of such Force Majeure event. In occurrence of any Force Majeure event, the Parties shall forthwith consult with each other, work out a fair resolution and make their utmost endeavors to minimize the consequence of such Force Majeure event.

25.4 Affiliate Relations

- (1) Seller A2 to Seller A32 are the Subsidiaries of Seller A1. Seller A1 shall exercise and perform all rights and obligations herein to be entitled to Seller A on behalf of Seller A.
- (2) Seller B2 is one of Subsidiaries of Seller B1. Seller B1 shall exercise and perform all rights and obligations herein to be entitled to Seller B on behalf of Seller B.

(No text below)

China Mobile Communication Company Limited (chop)
Legal representative or authorized representative:

/s/ XUE Taohai

China United Network Communications Corporation Limited (chop)
Legal representative or authorized representative:

/s/ LI Fushen

China Telecom Corporation Limited (chop)
Legal representative or authorized representative:

/s/ YANG Xiaowei

China Reform Holdings Corporation Limited (chop)
Legal representative or authorized representative:

/s/ MO Dewang

China Tower Corporation Limited (chop)
Legal representative or authorized representative:

/s/ TONG Jilu

Annex 1: The Parties to this Agreement

The Parties to this Agreement are listed as follows:

Seller A:

Seller A1: China Mobile Communication Company Limited (CMC, Seller A1), a limited company incorporated under the applicable laws of China, with its registered office at No. 29, Financial Street, Xicheng District, Beijing, and its Legal Representative Shang Bing;

Seller A2: China Mobile Group Jiangsu Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 59, Huju Road, Nanjing, Jiangsu province, and its Legal Representative Wang Jian.

Seller A3: China Mobile Group Shandong Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 20569, Jingshi Road, Ji'nan city, and its Legal Representative Yan Yongqing.

Seller A4: China Mobile Group Guangdong Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at Guangdong GSM Tower, No. 11, Zhujiang (W.) Road, Zhujiang New Town, Tianhe District, Guangzhou city, and its Legal Representative Zhong Tianhua.

Seller A5: China Mobile Group Henan Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 48, Jingsan Road, Zhengzhou city, and its Legal Representative Wei Ming.

Seller A6: China Mobile Group Zhejiang Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 19, Jiefang Road (E.), Hangzhou city, and its Legal Representative Zheng Jie.

Seller A7: China Mobile Group Anhui Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 609, Huangshan Road, Hefei, Anhui province, and its Legal Representative Yang Jianyu.

Seller A8: China Mobile Group Hebei Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 136, Dongfeng Road, Shijiazhuang, Heibei province, and its Legal Representative Li Liangui.

Seller A9: China Mobile Group Hunan Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 446, Section 3, Furong Road (M.), Tianxin District, Changsha city, and its Legal Representative Zhou Chengyang.

Seller A10: China Mobile Group Hubei Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 66, Changqing 3 Road, Jiangnan District, Wuhan city, and its Legal Representative Guo Yonghong.

Seller A11: China Mobile Group Sichuan Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 10, Gaopeng Avenue, Hi-tech Zone, Chengdu city, and its Legal Representative Jian Qin.

Seller A12: China Mobile Group Liaoning Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No. 6, Xinlong Street, Hunnan New Zone, Shenyang city, and its Legal Representative Chen Li.

Seller A13: China Mobile Group Yunnan Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at China Mobile Tower, Guangfu Road Mid-section, Kunming, Yunnan province, and its Legal Representative Ma Kui.

Seller A14: China Mobile Group Jiangxi Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.58, Zi'an Road, Xihu District, Nanchang, Jiangxi province, and its Legal Representative Li Feng.

Seller A15: China Mobile Group Shaanxi Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.29, Jinye 1 Road, Hi-tech Zone, Xi'an city, and its Legal Representative Zhao Dachun.

Seller A16: China Mobile Group Shanxi Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at Block A, China Mobile Tower, Wuluo Street, ETDZ, Taiyuan city, and its Legal Representative Miao Jianzhong.

Seller A17: China Mobile Group Heilongjiang Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.168, Xinwan Road, Songbei District, Harbin, Heilongjiang province, and its Legal Representative Zhang Hongsen.

Seller A18: China Mobile Group Inner Mongolia Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.2, Xinhua (E.) Street, Saihan District, Hohhot city, Inner Mongolia Autonomous Region, and its Legal Representative Hong Xiaoqin.

Seller A19: China Mobile Group Guangxi Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.117, Minzu Avenue, Qingxiu District, Nanning city, Guangxi, and its Legal Representative Gu Xiong.

Seller A20: China Mobile Group Gansu Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.666, Beibinhe (W.) Road, Anning District, Lanzhou city, Gansu province, and its Legal Representative Lu Zhihong.

Seller A21: China Mobile Group Fujian Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.140, Hudong Road, Fuzhou city, Fujian province, and its Legal Representative Huang Liwei.

Seller A22: China Mobile Group Xinjiang Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.118, Nanhu (N.) Road, Shuimogou District, Urumqi city, Xinjiang, and its Legal Representative Liu Jian.

Seller A23: China Mobile Group Jilin Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.2899, Jiefang Avenue, Changchun city, and its Legal Representative Tian Limin.

Seller A24: China Mobile Group Guizhou Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.19, Beijing Road, Guiyang city, Guizhou province, and its Legal Representative Mi Dawei.

Seller A25: China Mobile Group Shanghai Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.200, Changshou Road, Putuo District, Shanghai city, and its Legal Representative Xu Da.

Seller A26: China Mobile Group Hainan Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.88, Jinlong Road, Jinmao District, Haikou city , Hainan province, and its Legal Representative Lu Bing.

Seller A27: China Mobile Group Ningxia Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.217, Xinchang (E.) Road, Jinfeng District, Yinchuan city, Ningxia, and its Legal Representative Peng Xiaochuan.

Seller A28: China Mobile Group Chongqing Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.2, Xingguang 3 Road, Yubei District, Chongqing city, and its Legal Representative Qin Dabin.

Seller A29: China Mobile Group Tibet Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.84, Jinzhu (M.) Road, Lahsa city, and its Legal Representative Zhuo Feng.

Seller A30: China Mobile Group Qinghai Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.48, Kunlun Road (E.), Xining, Qinghai province, and its Legal Representative Xia Bing.

Seller A31: China Mobile Group Tianjin Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.64, M Zone, Tianjin FTZ, Tianjin city, and its Legal Representative Yan Jiang.

Seller A32: China Mobile Group Beijing Company Limited, a limited company incorporated under the applicable laws of China, with its registered office at No.7, Dongzhimen Nanda Street, Dongcheng District, Beijing city, and its Legal Representative Zhou Yi.

Seller A1 to Seller A32 collectively refer to as Seller A.

Seller B:

China United Network Communications Corporation Limited (**CUCL, Seller B1**), a limited company incorporated under the applicable laws of China, with its registered office at No. 21, Financial Street, Xicheng District, Beijing, and its Legal Representative Wang Xiaochu.

Unicom New Horizon Telecommunications Company Limited (**New Horizon, Seller B2**), a limited company incorporated under the applicable laws of China, with its registered office at No. 610, Office 3, No. 18, Jianguomen Neida Street, Dongcheng District, Beijing, and its Legal Representative Shen Hongbo.

Seller B1 and Seller B2 collectively refer to as Seller B.

Seller C:

China Telecom Corporation Limited (**China Telecom, Seller C**), a company limited by shares incorporated under the applicable laws of China, with its registered office at No. 31, Financial Street, Xicheng District, Beijing.

Seller A, Seller B and Seller C collectively refer to as the Sellers.

China Reform Corporation:

China Reform Holdings Corporation Limited, a limited company incorporated under the applicable laws of China, with its registered office at 6/F, Boxing Building, No. 9, Fuxing Road, Haidian District, Beijing, and its Legal Representative Liu Dongsheng.

Purchaser/Issuer:

China Tower Corporation Limited, a company limited by shares incorporated under the applicable laws of China, with its registered office at 19/F, No. 73, Fucheng Road, Haidian District, Beijing, PRC, and its Legal Representative Liu Aili.

Annex 2: Definitions and Interpretations

1. **Definitions.** In this Agreement, the following words and expressions shall have the following meanings:

Confidential Information	: In relation to the Purchaser's obligations, refers to as any information received or held by China Tower (or any of its Representatives) that is in connection with the Sellers and Target Assets; or any information received or held prior to Completion that is in connection with the Target Assets; or in relation to the Sellers' obligations, refers to as any information received or held by the Sellers (or any of their Representative) that is in connection with China Tower, or any information received or held prior to and after Completion that is in connection with the Target Assets; or any information in connection with the terms of this Agreement and other Transaction Documents and/or related negotiations.
The Agreement	: This Agreement on Purchase of Existing Telecommunications Towers and Related Assets by Issuing Shares and Paying Cash Consideration.
Force Majeure	: Any objective event that is unforeseeable, unavoidable or unovercomable, among which including any natural disasters such as earthquake, typhoon, floods, storms (subject to the information as published by the local governmental or climate or other functional authority); fire, war, any governmental act, any change, enactment and reenactment of any law and any other event that directly impact performance of this Agreement or failure of performance subject to the agreed conditions.
Representative	: In relation to any Party and/or its Affiliate or Affiliates, refers to as any of their respective directors, officers, employees, agents, consultants, accountants and advisors.
Third Party	: For the purpose of this Agreement, refers to as any individual or entity other than the Sellers and the Purchaser.
Third Party Right	: Any person's any entitlement (including any purchase right, option right, preemptive right or conversion right) or any mortgage, charge, pledge, lien, transfer or any interest in security or any other security agreement or arrangement, or any agreement creating any of rights listed above.
Third Party Claim	: See Article 12.1 of this Agreement.
China Telecom Group	: China Telecom Corporation Limited.
Telecommunications Corporations and Operators	: Infrastructure telecommunications service operators, including China Telecom Corporation Limited, China United Network Communications Corporation Limited, China Mobile Communications Company Limited and their respective Parents, Subsidiaries and other Affiliate or Affiliates; and for the purpose of this Agreement, only refers to as any telecommunications corporations holding telecommunication towers and related assets.
PESM	: Power and Environment Supervision System, the electronic system making integrated monitoring over the power equipment and environment variables.
Liabilities	: All liabilities, responsibilities and debts of whatever nature, no matter they are: (i) deriving from contract, law or other reasons, or (ii) currently existing or to be assumed in the future, or (iii) actual, contingent, determined or undetermined, or (iv) severable or joint; or (v) owed or incurred from capacity of a party or a guarantor.
Business Day	: Any day except for Saturday, Sunday and other national public holidays announced by the competent government of China.
Share Consideration	: See Article 2.5 of this Agreement.
Affiliate or Affiliates	: In relation to any Party, refers to as any Subsidiary and Parent of such Party for the time being and/or any Subsidiary of any Parent.
Transition Period	: The transition period as determined in Annex 7 to this Agreement. Unless otherwise stated, in this Agreement, the Transition Period shall be the transition period for the Transaction as determined in Annex 7 to this Agreement.

Mixed Equipment Room	: An equipment room mainly equipped with MIDs (mobile Internet device) or hardlink devices.
Base Station (BS)	: A wireless signal transmitter and receiver which serves as a bridge between all mobile users in a cell and connects mobile calls to the mobile switching center (MSC) within a certain wireless signal coverage, in general, consisting of transmitting system, power system, PESM; antenna feeder system, BTS master devices, and other auxiliary devices,
Reference Date	: Any reference date stated in any of the Valuation Reports, in particular, 31 October 2014 and 31 March 2015.
Surviving Clauses	: The following clauses of this Agreement: Article 13 (Announcement), Article 14 (Confidentiality), Article 15 (Non-transferability), Article 17 (Taxes and Expenses), Article 18 (Notice), Article 19 (Conflicts with Other Agreements), Article 20 (Exemptions, Rights and Remedies), Article 22 (Validity and Amendment), Article 23 (Severability), Article 24 (Governing Law and Arbitration) and this Annex 2 (Definitions and Interpretations).
Completion	: The completion in relation to the Target Assets conducted according to Article 5 of this Agreement.
Completion Date	: See Article 4.1 of this Agreement.
Handover	: The handover of the Target Assets, related documents and contracts by the Sellers and the Purchaser according to Annex 7 of this Agreement.
Handover Plan	: The detailed deployment and arrangement made by the Sellers and the Purchaser in relation to the Handover of the Target Assets as listed in Annex 7 of this Agreement.
Handover Day	: See Article 4.3(2) of this Agreement.
Completion of Handover	: Completion of handover of the Target Assets, related documents and contracts and maintenance work according to Annex 7 of this Agreement.
Transaction Consideration	: See Article 2.2 of this Agreement.
Transaction Documents	: The Agreement, Handover Plan, Target Assets List, Valuation Reports (including Appraised Assets - Breakdown), Closing Confirmation, Share Subscription Agreement and/ or other related documents.
Recipient	: See Article 14.1 of this Agreement.
Joint Work Team	: See Article 7 of this Agreement.
China Unicom Group	: China United Network Communications Corporation Group Limited.
Purchaser, China Tower, or Tower Company	: China Tower Corporation Limited.
Sellers	: Each Seller as listed in Annex 1 hereto.
CIETAC	: See Article 24.3 of this Agreement.
Parent	: Any corporation, no matter directly possessing or indirectly possessing via any one or more intermediate corporations: (i) possessing majority voting right in another corporation, or (ii) being or becoming a shareholder of another corporation and possessing majority director appointment or removal right to the Board of Directors of such another corporation, or (iii) being or becoming a shareholder of another corporation and controlling majority voting right in such another corporation via any agreement with any other shareholders.
Target Assets	: See Article 1.1 of this Agreement.
Target Assets List	: The Target Assets List to be confirmed by the Sellers and the Purchaser via inventory check according to Article 1.2 of this Agreement. Any Target Assets List, specifying the Target Assets finally handed over, liabilities (if any), contract and maintenance work, will be an annex to the Closing Confirmation.

Assets as Inventory Surplus	: Any newly-added target assets detected by the Sellers and the Purchaser upon onsite inventory check, and not recorded on the relevant Seller's books.
WO Dispatch	: A process driven by warning, planned or temporary matter and distributing work orders (WOs) to responsible persons by the system.
WO Dispatch System or WODS	: The electronic system dispatching work orders (WOs) to relevant responsible persons.
Valuation Reports	: The following valuation reports issued by China Enterprise Appraisals Co., Ltd.: (i) the Valuation Report on Telecommunications Tower-related Assets Owned by China Telecom's Provincial Branches Involved in the Project of Subscribing Shares of China Tower Corporation Limited by China Telecom Corporation Limited (CEAVR No. (2015) 1286-2); (ii) the Valuation Report on Telecommunications Tower-related Assets Owned by China Unicom's Provincial Branches and Unicom New Horizon Telecommunications Company Limited Involved in the Project of Subscribing Shares of China Tower Corporation Limited and Transferring Assets by China United Network Communications Corporation Limited (CEAVR No. (2015) 1286-4); and (iii) the Valuation Report on Telecommunications Tower-related Assets Owned by China Mobile's 31 Provincial Subsidiaries Involved in the Project of Subscribing Shares of China Tower Corporation Limited and Transferring Assets by China Mobile Communications Company Limited (CEAVR No. (2015) 1286-6).
Appraised Assets	: The existing telecommunication towers and related assets owned by the Sells as at the Reference Date for appraisal as recorded in the relevant Valuation Report - Breakdown.
Encumbrance	: Any person's any entitlement (including any right, purchase right, preemptive right or conversion right) or any mortgage, charge, pledge, lien, transfer, collateral on account or interest in any security, retention of title or any other security agreement or arrangement, or any agreement creating any of rights listed above.
RMB	: Renminbi, the statutory currency of China.
Day	: Unless otherwise specified particularly, refers to as a calendar day, however in any case, if the last day at expiry of the period agreed in this Agreement is a holiday, the next day following such holiday shall be the date at which the period expires. Unless otherwise specified particularly, prior to some day shall include such date and after some day shall exclude such date.
OM	: Outsourced maintenance, for which, the maintainers shall complete the tasks in specific Cell Site in conformity with relevant requirements subject to the WO or upon request by the asset owner.
Taxes	: Include: (a) any tax imposed on gross or net revenue, profit or gain; and (b) all of other taxes, imposts, charges, customs duties, import taxes, surcharges, and withholding tax, including any kind of taxes such as excise tax, property tax, VAT, sales tax, transfer tax, franchise tax and wage tax, and any national insurance or social security contribution, and any tax paid by any person on behalf of some person that cannot be paid by such some person and may or may become payable to such person, and all fines, penalties and interests imposed upon any tax listed above or any delay or incorrect tax return, no matter whether such taxes, imposts, charges, customs, import taxes, duties, surcharges, and withholding tax, fines, penalties and interests are directly or initially imposed upon such person or any other persons, or directly or initially attributable to such person or any other persons, and no matter whether any of such amount can be recovered from any of such persons.

Tower-like Assets	: Devices used for the purpose of erecting telecommunication devices including antennas, which shall include such facilities as ground towers, floor towers, rising frames and holding poles (including decorative antennas, tower facilities equipped in any integrated Base Station (IBS) or super Base Station (SBS))
Owner	: See Article 14.1 of this Agreement.
China Reform Corporation	: China Reform Holdings Corporation Limited
Non-Transferred Contract	: See Article 4.5 (3) of this Agreement.
Conditions Precedent	: All of the Conditions Precedent stated in Article 3.1 of this Agreement, and a Condition Precedent refers to any one of such conditions.
Cash Consideration	: See Article 2.5 of this Agreement.
New Target Assets	: See Article 2.2 (3) of this Agreement.
China Mobile Group	: China Mobile Communications Group Corporation.
Transferred Contract	: See Article 4.5 (3) of this Agreement.
Transfer into Fixed Assets	: Transfer of ongoing projects into fixed assets on the relevant Seller's account after such projects are completed, accepted as qualified and put into use.
Cell Site	: Short name of Cell site devices, including telecommunications towers, equipment room (including PESM) devices sited in the cell Base Station (BS).
Dispute	: See Article 24.2 of this Agreement.
Supporting System	: Any relevant system composed of Network management and monitoring system (NMMS) and WODS.
IPR (Intellectual Property Rights)	: Patents, trademarks, service marks, company logos, trade names, domains, design rights, copyrights (including, but not limited to, computer software copyrights) and/or database rights, semiconductor circuit rights, utility models, rights of design, rights of invention, know-hows, and other IPRs (whether registered or not) and/or all rights or protection forms with identical or similar effects existed anywhere in the world, and "registered" includes registered and applied for registration.
China	: China (only for the purpose of this Agreement, excluding Hong Kong SAR, Macau SAR and Taiwan).
China Telecom	: China Telecom Corporation Limited.
CUCL	: China United Network Communications Corporation Limited.
CMC	: China Mobile Communications Company Limited.
Material Adverse Change	: Any event incurring upon the Target Assets and/or relevant business: (i) individually, a loss of at least RMB 30, 000,000; or (ii) jointly, a loss of at least RMB 100, 000,000.
Material Defect	: Any defect that adversely impacts upon the Purchaser's successive legal title to the Target Assets or the Purchaser's successive use right to relevant assets.
Subsidiary	: Any corporation for which another corporation is its Parent.
Closing Confirmation	: Any Closing Confirmation at municipal, provincial level as agreed in Article 4.4 of this Agreement and Article 6 of Annex 7 of this Agreement.
Comprehensive Service Agreement	: The Comprehensive Service Agreement signed and executed by the Sellers and the Purchaser.

2. Interpretations. In this Agreement, unless otherwise specified in context:

- (1) Each reference to "person" shall include any individual, firm, group, company (corporate or unincorporated), government, state or state governmental authority, any joint venture, association, partnership, board or employee representative organization (corporate or unincorporated);
- (2) In this Agreement, "the Sellers and the Purchaser" or "both of the Sellers and the Purchaser" shall be the Purchaser and the Sellers, "each of the Parties" shall be each of the Sellers, China Reform Corporation and the Purchaser;

- (3) Each reference to “provision” shall be a provision of this Agreement;
 - (4) The headings are inserted for convenience only and shall not affect the construction of this Agreement;
 - (5) Words denoting the singular number shall include the plural number and vice versa; and words denoting the masculine gender include the feminine and neuter genders;
 - (6) For the purpose of reference of any amount in RMB, the amount expressed in other monetary shall be deemed as having been translated into RMB subject to the exchange rate as at the related date;
 - (7) “include”, “including”, or “in particular” and other words or any expressions derived from any similar words shall be deemed as enumerating, which shall not consist of a limit to the meaning of the words before such expressions; and
 - (8) Laws and regulations shall include, among others, laws, administrative regulations, administrative rules and local regulations. Unless otherwise expressly specified in this Agreement, any express reference to any enactment (including any enactment of any jurisdiction) shall include: (a) such laws, regulations as amended, revised, consolidated or restated, whether prior to or after the date of signature of this Agreement or according to any other enactment; (b) such laws and regulations as reenacted (amended or not); and/or (c) any auxiliary enactment (including rules) (whether prior to or after the date of signature of this Agreement) according to such laws and regulations referred in Subpragraph (a) or (b), unless any event stated in Subpragraphs (a) to (c) appears after the date of signature of this Agreement, and increases or changes the Purchaser’s or the Sellers’ responsibilities or liabilities under this Agreement.
3. **Annexes.** The Annexes shall be an integral part of this Agreement.
4. **Conflict.** Should there exist any conflict between Definitions of this Annex 2 and any provision herein or Definitions of any other Annex, in relation to interpretation of such provision or Annex, such provision or Definitions of such other Annex shall prevail.

Annex 3: Target Assets

According to Article 1 of this Agreement, the Target Assets refer to the existing telecommunication towers and related assets that are owned by the Sellers as at the Completion Date and the Sellers and the Purchaser consent to invest/transfer to the Purchaser.

1. The Scope of the Target Assets

1.1 Telecommunications Towers

- 1.1.1 Those owned by any of the Sellers for the purpose of erecting telecommunication devices including antennas, which shall include such facilities as ground towers, floor towers, rising frames and holding poles (including decorative antennas, tower facilities equipped in any integrated Base Station (IBS) or super Base Station (SBS); and
- 1.1.2 Those rented by any of the Sellers from any Third Party (excluding those rented from or jointly built by and shared with other Telecommunications Corporations) and related lease agreement specifies expressly that the title to telecommunications towers and related assets belongs to such Seller, and such Seller has obtained such title.

1.2 Equipment Rooms

- 1.2.1 Equipment Rooms shall include relatively independent BS equipment rooms matching the telecommunications towers as listed in Article 1.1 herein (excluding any independent equipment room located in the Sellers' own bureaus, sub-bureaus, comprehensive buildings and business offices), and equipment rooms for IBS and SBS.
- 1.2.2 The following equipment rooms are beyond the scope of Target Assets: (1) small equipment rooms matching the telecommunications towers as listed in Article 1.1 herein and located in the Sellers' own bureaus or sub-bureaus (the Sellers' own bureaus, sub-bureaus, comprehensive buildings and business offices); and (2) Mixed Equipment Rooms (equipment rooms mainly equipped with MIDs (mobile Internet device) or hardlink devices) matching the telecommunications towers as listed in Article 1.1 herein.
- 1.2.3 As for any Mixed Equipment Room matching the telecommunications towers beyond the investment scope, in general, a working area of around 20 m² shall be preserved for the Purchaser to use without any additional charge to pay or paid within 3 years (as of the next day following the Completion Date) and with a rent charged by the related Sellers to the Purchaser after such 3 years based upon market quotation.
- 1.2.4 Any equipment room rented by any of the Sellers in conformity with Article 1.2.1 herein shall be changed into an equipment room rented by the Purchaser.
- 1.2.5 Any equipment room rented by any of the Sellers in conformity with Article 1.2.2 herein shall be disposed subject to Article 1.2.3 herein and not be changed into an equipment room rented by the Purchaser.
- 1.2.6 In relation to the Sellers' own real estates as stated in Article 1.2.1, the title to such real estates shall be transferred to Purchaser; and in relation to the equipment rooms rented by any of the Sellers as stated in Article 1.2.4, the rights and obligations under related lease contracts shall be transferred to Purchaser.

- 1.2.7 Both the Sellers and the Purchaser consent that the number of the equipment rooms as agreed in Article 1.2.1 shall represent at least 70% of the total number of the equipment rooms matching the Sellers' telecommunications towers, and such percentage shall be under the headquarter level control in general.

1.3 Matching Devices

- 1.3.1 Matching Devices shall include power equipment, air-condition facilities, anti-thunder facilities, security equipment (including security monitoring and fire extinguishing equipment) matching the equipment rooms as agreed in Articles 1.2.1 and 1.2.4 herein, and external power introduction facilities and PESM front end gathering devices.
- 1.3.2 The transmission and platforms in relation to PESM shall fall beyond the scope of Target Assets.

1.4 Intangible Assets

- 1.4.1 Intangible Assets shall include the land use rights owned by the Sellers to the land on which the assets as stated in Articles 1.1 and 1.2.1 herein are annexed.
- 1.4.2 Any land rented by any of the Sellers in conformity with Article 1.4.1 herein shall be changed into a land rented by the Purchaser.
- 1.4.3 Intangible assets shall also include any document held by the Sellers in relation to the Target Assets as stated in Articles 1.1 and 1.2.1 herein.
- 1.4.4 The land (including floor area and the like) occupied by any of the assets as stated in Articles 1.1 and 1.2 herein shall be disposed in reference to this Article 1.4 herein.

1.5 Ongoing Projects and Project Materials

- 1.5.1 Ongoing Projects shall be those in relation to the Target Assets as stated in Articles 1.1 and 1.2.1 herein.
- 1.5.2 Project Materials shall be those in relation to the ongoing projects as stated in Article 1.5.1 herein.

1.6 Accounts Payable

- 1.6.1 Accounts Payable shall include rents payable for real estates and premises and others as listed in the Valuation Reports concerned, confirmed by Both the Sellers and the Purchaser, in relation to the Target Assets as stated in Articles 1.2.4 and 1.4.2 herein and attributable to a period after the Completion Date.
- 1.6.2 Accounts Payable shall also include cost payables in relation to the Target Assets and attributable to a period after the Completion Date.
- 1.6.3 Accounts payable in relation to fixed assets and ongoing projects shall be beyond the scope of Target Assets.

1.7 Long-term Deferred Expenses

- 1.7.1 Long-term Deferred Expenses shall be those in relation to the Target Assets as stated in Articles 1.2.4, 1.3.1 and 1.4.2 herein, including more than 1 year rents for real estates and premises, external power introduction expenses, fitment and improvement costs and the like.

1.8 Current Assets

- 1.8.1 Current Assets shall include other receivables in relation to the Target Assets as stated in Articles 1.1, 1.2, 1.3 and 1.4 herein, including electricity bill deposit receivables, securities or deposits for premise and real estate lease, property deposits and the like.
- 1.8.2 Current Assets shall include stocks in relation to the Target Assets as stated in Articles 1.1, 1.2, 1.3 and 1.4 herein, including designated apparatuses, special maintenance tools, special energy saving equipment, special consumables and the like.
- 1.8.3 Current Assets shall also include deferred expenses in relation to the Target Assets as stated in Articles 1.2.4 and 1.4.2 herein, including less than 1 year rents for real estates and premises and the like.

2. Confirmation Mode of Target Assets

- 2.1 Upon consents from and by both the Sellers and the Purchaser, the Target Assets List may be reconciled. Both the Sellers and the Purchaser shall confirm the final closed Target Assets List by signing on the Closing Confirmation.
- 2.2 Assets and resources occupied by any of the Sellers that owned by any Third Party shall fall beyond the scope of asset transfer under the Transaction. However, to the extent applicable, if such Seller is entitled to any contract interest in such assets and resources, the rights and obligations shared by such Seller under such contract shall, upon the principles determined by both the Sellers and the Purchaser after consultation with each other, be transferred to the Purchaser subject to the mode as specified in Annex 6 of this Agreement.

3. Liabilities

Except for Article 1.6, for the avoidance of any doubt, unless listed in the Valuation Reports concerned and confirmed by both the Sellers and the Purchaser in Closing Confirmation, any liabilities or payment obligations arising from any of the Target Assets on or before the Completion Date (no matter whether to be actually paid prior to the Completion Date or after the Completion Date) shall be solely undertaken by relevant Seller or Sellers and the Purchaser will assume no such liabilities or payment obligations in relation to the Target Assets. Unless otherwise agreed by both the Sellers and the Purchaser, as of the next day following the Completion Date, any liabilities or payment obligations in relation to the Target Assets shall be solely undertaken by the Purchaser.

Annex 4: The Breakdown of the Appraised Value of Target Assets of the Sellers

Monetary Unit: RMB 10 Thousand

<u>SN</u>	<u>Seller</u>	<u>Appraised Value 1</u> <u>(Reference Date</u> <u>31 October 2014)</u>	<u>Appraised Value 2</u> <u>(Reference Date</u> <u>31 March 2015)</u>	<u>Total</u>
A1	China Mobile Communication Company Limited	—	—	—
A2	China Mobile Group Jiansu Company Limited	618,201.23	560,404.83	1,178,606.06
A3	China Mobile Group Shandong Company Limited	749,585.23	162,409.97	911,995.19
A4	China Mobile Group Guangdong Company Limited	497,832.80	309,469.27	807,302.07
A5	China Mobile Group Henan Company Limited	622,437.68	120,466.96	742,904.64
A6	China Mobile Group Zhejiang Company Limited	443,707.79	159,495.27	603,203.06
A7	China Mobile Group Anhui Company Limited	414,845.97	186,792.93	601,638.89
A8	China Mobile Group Hebei Company Limited	495,225.28	59,064.25	554,289.53
A9	China Mobile Group Hunan Company Limited	398,885.30	114,751.66	513,636.96
A10	China Mobile Group Hubei Company Limited	315,545.29	149,161.51	464,706.80
A11	China Mobile Group Sichuan Company Limited	289,940.25	136,376.80	426,317.05
A12	China Mobile Group Liaoning Company Limited	297,719.89	116,226.59	413,946.48
A13	China Mobile Group Yunnan Company Limited	244,194.53	162,018.87	406,213.40
A14	China Mobile Group Jiangxi Company Limited	346,233.33	47,601.39	393,834.73
A15	China Mobile Group Shaanxi Company Limited	281,490.59	86,170.50	367,661.09
A16	China Mobile Group Shanxi Company Limited	262,545.13	58,375.12	320,920.25
A17	China Mobile Group Heilongjiang Company Limited	248,879.12	54,636.18	303,515.30
A18	China Mobile Group Inner Mongolia Company Limited	252,616.84	47,541.64	300,158.48

<u>SN</u>	<u>Seller</u>	<u>Appraised Value 1</u> <u>(Reference Date</u> <u>31 October 2014)</u>	<u>Appraised Value 2</u> <u>(Reference Date</u> <u>31 March 2015)</u>	<u>Total</u>
A19	China Mobile Group Guangxi Company Limited	238,868.98	52,682.01	291,550.99
A20	China Mobile Group Gansu Company Limited	221,394.34	49,099.27	270,493.61
A21	China Mobile Group Fujian Company Limited	165,760.45	83,057.18	248,817.63
A22	China Mobile Group Xinjiang Company Limited	157,911.11	64,314.89	222,226.00
A23	China Mobile Group Jilin Company Limited	158,168.31	37,009.95	195,178.27
A24	China Mobile Group Guizhou Company Limited	137,900.28	49,806.87	187,707.15
A25	China Mobile Group Shanghai Company Limited	138,991.05	42,031.70	181,022.76
A26	China Mobile Group Hainan Company Limited	86,001.53	37,827.88	123,829.42
A27	China Mobile Group Ningxia Company Limited	73,218.83	50,480.21	123,699.05
A28	China Mobile Group Chongqing Company Limited	89,687.50	32,873.62	122,561.12
A29	China Mobile Group Tibet Company Limited	72,645.15	19,409.44	92,054.59
A30	China Mobile Group Qinghai Company Limited	73,670.32	17,612.70	91,283.03
A31	China Mobile Group Tianjin Company Limited	68,924.13	19,309.03	88,233.17
A32	China Mobile Group Beijing Company Limited	66,431.38	20,689.52	87,120.91
B1	China United Network Communications Corporation Limited	4,979,850.39	1,329,365.58	6,309,215.97
B2	Unicom New Horizon Telecommunications Company Limited	8,796.28	461.86	9,258.14
C	China Telecom Corporation Limited	2,263,860.89	1,170,317.42	3,434,178.31

Annex 5: Share Subscription Agreement - Template

Share Subscription Agreement

(The Agreement is made and entered into by and between by the following Parties on the date of [], 2015 in Beijing.)

Issuer: China Tower Corporation Limited (“China Tower”)

Subscriber: []

Whereas, the Issuer and the Subscriber have executed the Agreement on Purchase of Existing Telecommunications Towers and Related Assets by Issuing Shares and Paying Cash Consideration on the date of 14 October 2015. According to such agreement and subject to the Closing particulars of telecommunications towers-related assets, the Issuer determines to issue [] shares in total at a value of RMB 1.00 per share, and the Subscriber is entitled to subscribe for [] shares.

1. Price of Subscription Per Share

RMB 1.00 per share.

2. Amount of Subscription and Numbers of Shares Subscribed

The Subscriber confirms to contribute an amount of RMB [] and subscribe for [] shares.

3. Subscription Mode

The Subscriber consents to subscribe for the shares issued herein via [asset, cash], including asset of RMB [] and cash of RMB [].

4. Payment Mode

The Subscriber shall, within [], complete the delivery of the assets contributed.

5. Shareholder’s Rights and Obligations

The Subscriber shall, as of the date on which this Agreement comes into effect, be entitled to shareholder’s rights and obligated to shareholder’s obligations.

6. Validity

The Agreement shall come into force as of the date of signature and seal by the Parties hereto.

(No text below)

(In Witness Whereof, the Parties hereto have executed this Share Subscription Agreement as of the date first above written.)

Issuer: China Tower Corporation Limited (Seal) Legal Representative:

Subscriber: []

Legal Representative:

Annex 6: The Parties' Bank A/C and Contact Information

1. According to Article 2.7 of this Agreement, we hereby list the bank A/C information for each of the Parties to this Agreement as follows:
 - (1) Seller A's A/C Information
Account Name: China Mobile Communications Company Limited
Opening Bank: ICBC Beijing Branch Chang'an Subbranch
A/C No.: 0200003309221088855
 - (2) Seller B's A/C Information
Account Name: China United Network Communications Corporation Limited
Opening Bank: ICBC Beijing Branch Chang'an Subbranch
A/C No.: 0200003309221111116
 - (3) Seller C's A/C Information
Account Name: China Telecom Corporation Limited
Opening Bank: ICBC Beijing Branch Chang'an Subbranch
A/C No.: 0200003309221003474
 - (4) China Reform Corporation's A/C Information
Account Name: China Reform Holdings Corporation Limited
Opening Bank: CCB Beijing Branch Yong'anli Subbranch
A/C No.: 11001069700059666888
 - (5) Purchaser/Issuer's A/C Information
Account Name: China Tower Corporation Limited
Opening Bank: CCB Beijing Branch Anhui Subbranch
A/C No.: 11001018500059588888
2. According to Article 8.2 of this Agreement, we hereby list the contact information for each of the Parties to this Agreement as follows:
 - (1) Seller A: China Mobile Communications Company Limited
Address: No. 29, Financial Street, Xicheng District, Beijing PRC
Fax: 010-66006424
Addressee: Han Fei
 - (2) Seller B: China United Network Communications Corporation Limited
Address: No. 21, Financial Street, Xicheng District, Beijing PRC
Fax: 010-66259614
Addressee: Bi Ye
 - (3) Seller C: China Telecom Corporation Limited
Address: No. 31, Financial Street, Xicheng District, Beijing PRC
Fax: 010-58501824
Addressee: Tan Zuduo

- (4) China Reform Corporation: China Reform Holdings Corporation Limited
Address: 6th Floor, Boxing Building, No. 9, Fuxing Road, Haidian District, Beijing PRC
Fax: 010-88656676
Addressee: Wang Zhixue
- (5) Purchaser: China Tower Corporation Limited
Address: 19th Floor, No. 73, Fucheng Road, Haidian District, Beijing PRC
Addressee: Wang Tianpeng

Annex 7: Handover Plan

According to this Agreement, the Sellers and the Purchaser (including their respective branches and subsidiaries at provincial and municipal levels, the same below) shall perform the Handover work subject to the Handover Plan herein. In addition, to realize the purpose of smooth Handover, both the Sellers and the Purchaser consent, in accordance with the relevant arrangements in relation to the Transaction, to further break down the Handover work plan, make unified deployment and closely cooperate with each other to complete the Handover work:

1. Target

- 1.1 To ensure the Target Assets are with true information and clear title and completely handed over.
- 1.2 To ensure the maintenance business to realize state transition, the maintenance work to realize rapid undertaking and the Handover process to realize orderly conformity.

2. Work Principles for Handover

- 2.1 Unify Asset Handover and Maintenance Handover. Both asset handover and maintenance handover shall take onsite signature of both the Sellers concerned and the Purchaser as watershed. Upon such signature, the maintenance work for the relevant assets shall be undertaken by the Purchaser, and documents and contracts in connection with the relevant assets shall be transferred concurrently together with such assets to the Purchaser.
- 2.2 Handover by station and verify forms with tangibles. Both the Sellers and the Purchaser will compare and verify the Inventory Telecommunications Tower Onsite Tangible Handover Form (See Schedule 1 hereto) with onsite tangibles; and accurately record any change, inventory surplus or loss, destroy or loss and other status information in relation to the assets, and last but not least, particulars in relation to business handover.
- 2.3 Realize stable engagement and ensure operation. The Handover work will, make full use of the original resources owned by the Sellers, ensure running quality of cell sites upon Handover is stable, the maintenance and business runs smoothly, and the operation during the Transition Period steadily, and guarantee the networking quality.
- 2.4 Both the Sellers and the Purchaser will, in the principle of good faith, properly dispose the disputes and controversy arising from the Handover work process, cooperate with each other and complete the Handover of the Target Assets.

3. Organizational Arrangement for Handover

According to the needs of Handover work, both the Sellers and the Purchaser shall form Joint Work Teams at headquarter, provincial and municipal levels, which shall be in charge of the Target Asset Handover work fallen within their respective function scope.

4. Preparation for Handover

- 4.1 Upon signature of this Agreement, for the purpose of Target Asset Handover, both the Sellers and the Purchaser consent to complete the following preparation work for Handover.

4.1.1 Preparation for Asset Handover

- (1) Both the Sellers and the Purchaser shall jointly organize handover training.

- (2) Both the Sellers and the Purchaser shall jointly fulfill the facilities needed by Handover, including tools, vehicles, handover forms, labels and the like.
- (3) The Purchaser shall import the Appraised Assets – Breakdown into the asset checkup system to generate initial Target Asset Lists, and prepare Inventory Telecommunications Tower Onsite Tangible Handover Forms as data base for onsite handover.
- (4) Both the Sellers and the Purchaser shall jointly consult and determine the detailed arrangement for the Handover work, including, but not limited to, time plan, route plan, implementation and other arrangements.
- (5) The Sellers will furnish the Purchaser with particulars regarding the New Target Assets as at the Completion Date in the form of second asset checkup “Telecommunications Towers-related Assets Checkup Valuation - Breakdown”.

4.1.2 Preparation for Maintenance Business Handover

- (1) The provincial and municipal branches and subsidiaries of the Sellers and the Purchaser shall fully communicate with each other, complete building of maintenance docking mechanisms, prepare maintenance handover plans, detail maintenance units, provide Supporting Systems, and carry forward current network pilot and other preparation work; and last not the least, reach agreement on maintenance work handover time, maintenance interface, maintenance handover organization, maintenance team retention, work order dispatch maintenance monitoring plan and the like.
- (2) In relation to maintenance interface, both the Sellers and the Purchaser consents to implement the relevant maintenance division interface as specified in the Comprehensive Service Agreement.
- (3) In relation to maintenance quality, both the Sellers and the Purchaser consents to implement the relevant requirements as specified in the Comprehensive Service Agreement, which, in general, shall be no lower than the existing maintenance level held by the Sellers.
- (4) Both the Sellers and the Purchaser consent that the Purchaser shall make PESM alteration on the inventory Cell Sites, and prior to completion of such alteration, the Purchaser shall rely on the Sellers’ NMMS or PESM and WODS to monitor work order dispatch, and provincial branches and subsidiaries of the Sellers and the Purchaser will consult with each other and determine the detailed maintenance plans.
- (5) The Sellers shall provide the Purchaser with PESM data for certain time buckets prior to the Completion Date, and provincial branches and subsidiaries of the Sellers and the Purchaser will consult with each other and determine the detailed time buckets.
- (6) The provincial branches and subsidiaries of the Sellers and the Purchaser shall jointly set up Cell Site Name Comparison Form during asset checkup stage for cell sites including name, serial number and matching with the Sellers’ NMMS or PESM.
- (7) In relation to emergency telecommunications support, the provincial branches and subsidiaries of the Sellers and the Purchaser shall jointly coordinate with each other and determine their respective functional division, coverage, standard, response plan, contact system and the like.
- (8) The provincial branches and subsidiaries of the Sellers and the Purchaser shall jointly coordinate with each other and determine their respective OM coordination, fault treatment (including electric power generation), information push, emergency support, Cell Site retention and the like.

- (9) The provincial branches and subsidiaries of the Sellers and the Purchaser shall jointly coordinate with each other and determine the detailed arrangement for property management, water and electricity bill handover.
- (10) The maintenance team shall be kept unchanged as much as possible. As for inventory Cell Sites, the Sellers shall furnish the Purchaser with maintenance mode lists, outsourced maintenance contract information, outsourced maintenance contracts and the latest one year records in relation to outsourced maintenance appraisal. The Purchaser shall consult with the original maintenance units upon outsourced maintenance matter and ensure stable transition of maintenance work.

4.1.3 Preparation for Supporting System

- (1) NMMS or PESM

As for inventory Cell Sites for which PESM is not built or needs to be altered, the Sellers and the Purchaser shall consult with each other and make building and alteration arrangements, and the Sellers shall provide necessary assistance for the Purchaser.

The Purchaser shall, prior to completion of PESM alteration and building for inventory Cell Sites, rely on the Sellers' NMMS or PESM and WODS to monitor work order dispatch, and the Sellers shall provide necessary assistance for the Purchaser. The Sellers shall, subject to normal development of maintenance work and system security, authorize the Purchaser to use the relevant NMMS or PESM and WODS and the Purchaser may, in conformity with such Sellers' authority, access and use such systems.

4.1.4 Preparation for Documentation Handover

- (1) Both the Sellers and the Purchaser shall jointly consult with each other and determine the detailed arrangement in relation to documentation and contract Handover.
- (2) The Sellers shall, in conformity with the requirements as stipulated in Article 9 herein, enumerate documentation lists item by item (see Schedule 2 hereto) and prepare relevant documentations.

5. **Implmentation of Handover**

5.1 For the purpose of Handover, both the Sellers and the Purchaser consent:

5.1.1 Intensified Handover of Documents

- (1) Both the Sellers and the Purchaser shall, according to the plans as agreed and in conformity with the requirements as stipulated in Article 9 herein, intensifiedly handover relevant documentations.
- (2) Both the Sellers and the Purchaser shall jointly sort key documentations (power supply contracts, property lease contracts and outsourced maintenance contracts) by Cell Site.
- (3) In case that any of the Sellers fails to provide any documentation, the Sellers and the Purchaser shall record based upon the facts on the Existing Telecommunications Tower Documentation Handover Form (see Schedule 3 hereto).

- (4) Both the Sellers and the Purchaser consent to prioritize handover and sorting of key documentations, and to complete handover of other documentations at successive handover time.

5.1.2 Onsite Handover

- (1) In relation to Cell Sites corresponding to Equipment Rooms incorporated in the scope of Target Assets, onsite Handover shall be completed subject to the following flow:

According to the Existing Telecommunications Tower Documentation Handover Form, confirm whether the assets exist, check and verify the tangible information of the assets under handover, and supplementarily record Assets as Inventory Surplus. As for Assets as Inventory Surplus, take photos, record door lock type and completeness, take down KWH meter readouts, and handover access cards and keys. Both the Sellers and the Purchaser shall, upon confirmation on each record in the Existing Telecommunications Tower Onsite Tangible Handover Form, sign and confirm onsite. The Existing Telecommunications Tower Documentation Handover Form shall be in duplicate, both the Seller concerned and the Purchaser holding one. Upon such signature, the maintenance work for Target Assets located in such Cell Site shall be undertaken by the Purchaser.

- (2) In relation to Cell Sites corresponding to Equipment Rooms not incorporated in the scope of Target Assets, onsite Handover shall be completed subject to the following flow:

According to the Existing Telecommunications Tower Onsite Tangible Handover Form, confirm whether the tower-like assets exist, check and verify the tangible information of the tower-like assets under handover, and supplementarily record Assets as Inventory Surplus and stick resource labels. As for Assets as Inventory Surplus, take photos, record the position and area of the preserved region in the room, record whether there are entry and exit routes for antenna feeders, cables and external electric power, and whether it is convenient for persons and equipment to enter and exit. Both the Sellers and the Purchaser shall, upon confirmation on each record in the Existing Telecommunications Tower Onsite Tangible Handover Form, sign and confirm onsite. The Existing Telecommunications Tower Onsite Tangible Handover Form shall be in duplicate, both the Seller concerned and the Purchaser holding one. Upon such signature, the maintenance work for Target Assets located in such Cell Site shall be undertaken by the Purchaser.

- (3) Both the Sellers and the Purchaser shall, according to their respectively signed Existing Telecommunications Tower Onsite Tangible Handover Form, import the onsite handover results into the asset checkup system to collect inventory surplus or loss, information discrepancy, controversy, and other facts.

5.1.3 Miscellaneous

- (1) Both the Sellers and the Purchaser shall jointly coordinate with each other to complete transfer of water and electric power and property relationship transfer registration.
- (2) In relation to assets as for which only after title registration change formalities completed the transfer shall become valid, both the Sellers and the Purchaser shall jointly proceed title change registration, except for those as recognized by both the Sellers and the Purchaser: (i) that need no such formalities, or (ii) that it is difficult or impossible to transact such formalities.
- (3) In relation to any matter needing consent or confirmation by a Third Party, obtain such Third Party's consents/confirmation, or proceed contract transfer, except for Non-Transferred Contract held by any Seller on behalf of the Purchaser. If there is no written contract concluded by any Seller and any Third Party, however, there exists actual contract relationship, such Seller shall furnish the Purchaser with information of such Third Party, and assist the Purchaser to execute an agreement with such Third Party. See Article 10 herein for details regarding implementation.

- (4) The Sellers shall transfer to the Purchaser control right and use right of door access system.
- (5) Both the Sellers and the Purchaser consent to complete the core handover matter within the period as agreed in Article 4.4 of this Agreement, including handover of assets tangibles, maintenance work, electric power and property relationship, key documentations (power supply contracts, property lease contracts, and outsourced maintenance contracts) and confirmation of receivables and payables. As for the successive handover matters, including asset transfer registration, contract transfer, handover of other documentations, both the Sellers and the Purchaser shall, in Closing Confirmation, otherwise agree the period in which the handover shall be completed.

5.1.4 The aforementioned arrangements shall not prevent the Sellers and the Purchaser from making any other arrangement upon the Target Asset Handover on the basis of consultation.

6. Handover Confirmation

- 6.1 Both the Sellers and the Purchaser shall confirm the final handed over Target Assets List by signing on the Closing Confirmation and state uncompleted Handover (asset, business, contract) in such List as basis for successive handover, and continue to complete the Handover in conformity with this Annex or any provision stated in the Closing Confirmation as agreed by the Sellers and the Purchaser.
- 6.2 Both the Sellers and the Purchaser will, subject to asset management level, arrange their respective provincial and municipal level branches or subsidiaries to confirm the Handover, and sign on the Closing Confirmation, and report to their respective headquarters level by level. The next higher level shall ensure the completeness of the Closing Confirmations reported by its next lower level.

7. Successive Handover

- 7.1 As for the Target Assets, contracts and businesses stated in Closing Confirmation under successive handover, the provisions herein shall be followed.
- 7.2 Both the Sellers and the Purchaser consent:
 - (1) According to the scope, plan, mode and time frame as mutually recognized by the Sellers and the Purchaser, to continue to proceed with the contract change or obtain consents from Third Party and the like.
 - (2) According to the scope, plan, mode and time frame as mutually recognized by the Sellers and the Purchaser, to transact land use right, real estate title and other transfer registration formalities, and related title registration completion formalities.
 - (3) Unless otherwise stated, the Sellers will assume and clear any and all asset-related expenses prior to the Completion Date, including, but not limited to, rents and maintenance costs. As for any expense uncleared prior to the Completion Date, if it shall be actually paid by the Purchaser, such Sellers will settle and refund relevant expenses to the Purchaser subject to the amount actually paid by the Purchaser.

8. Modes and Standards for Target Asset Handover

8.1 Fixed Assets

8.1.1 Telecommunications Towers

Relying on the Existing Telecommunications Tower Onsite Tangible Handover Form, the Sellers' delivery to the Purchaser and the Purchaser's inventory check and signature on the Closing Confirmation (Unless otherwise stated, refers to the Closing Confirmation at headquarter level, the same below) shall be deemed as Completion of Handover.

8.1.2 Equipment Rooms

- (1) As for equipment rooms whose title may be transferred, the Sellers and the Purchaser shall confirm the final handed over Target Assets List by signing on the Closing Confirmation. Both the Sellers and the Purchaser shall jointly file with competent real estate administration authorities for change of title. The completion of formalities in relation to such title transfer shall be the symbol of Completion of Handover. The Handover shall be deemed as completed upon the changed title registering the Purchaser as its owner.
- (2) As for equipment rooms whose title is difficult or impossible to be transferred or that confirmed by the Sellers and the Purchaser as needing no transaction of title, the Sellers' delivery to the Purchaser and the Purchaser's inventory check and signature on the Closing Confirmation shall be deemed as Completion of Handover.
- (3) As for equipment rooms rented by any of the Sellers, such Seller and the Purchaser shall complete contract handover in conformity with Article 10 herein, and their signatures on the Closing Confirmation shall be deemed as Completion of Handover.
- (4) Any and all expenses in relation to title transfer registration shall be solely undertaken by the Purchaser.
- (5) As for any Mixed Equipment Room beyond the investment scope, in general, a working area of around 20 m² shall be preserved for the Purchaser to use without any additional charge to pay or paid within 3 years and with a rent charged by the related Sellers from the Purchaser after such 3 years based upon market quotation.

8.2 Matching Devices

Relying on the Existing Telecommunications Tower Onsite Tangible Handover Form, the Sellers' delivery to the Purchaser and the Purchaser's inventory check and signature on the Closing Confirmation shall be deemed as Completion of Handover.

8.3 Land Use Right

- (1) As for land use right certificate that may be transacted, the Sellers and the Purchaser shall confirm the final handed over Target Assets List by signing on the Closing Confirmation. The completion of land use right certificate transfer formalities and delivery of such land use right certificate to the Purchaser shall be the symbol of Completion of Handover and shall be deemed as Completion of Handover.
- (2) If any of the Sellers has disclosed that there is any defect and it is difficult or impossible for such Seller to transact any related land use right transfer, the Sellers and the Purchaser consent to make Handover subject to the current status, and their signatures on the Closing Confirmation shall be deemed as Completion of Handover.

- (3) In case that it is impossible to transact land use right certificate temporarily or the land use right certificate is filed for issuance, the Sellers concerned shall successively transact land use right completion formalities and legal procedures and undertaken all expenses therefrom arising after the Completion Date, and provide necessary assistance to such Seller, including, but not limited to, furnishing necessary documentations for such filing.
- (4) As for land/premises rented by any of the Sellers, such Seller and the Purchaser shall complete contract handover in conformity with Article 10 herein, and their signatures on the Closing Confirmation shall be deemed as Completion of Handover.
- (5) The expenses in relation to land use right transfer registration shall be solely undertaken by the Purchaser.

8.4 Ongoing Projects and Project Materials

- (1) The Sellers shall, under the precondition that the project quality is ensured, as much as possible to complete completion settlement for ongoing projects prior to the Completion Date and transfer such projects into fixed assets ("Transfer into Fixed Assets"), and deliver such projects to the Purchase in the form of asset.
- (2) If any ongoing project cannot be transferred into fixed assets due to any special reason, the Sellers and the Purchaser shall recognize the value of such ongoing project as at Completion Date, and handover such project in the form of ongoing project. Both the Sellers and the Purchaser shall confirm the final handed over Target Assets List by signing on the Closing Confirmation, and such signature shall be deemed as Completion of Handover.
- (3) According to the Purchaser's particular requirements, in relation to ongoing real estate, the filing entity of the construction land permits, land plan permits, project plan permits, project construction permits and other documentations filed with the competent local governmental authorities shall be changed from the Sellers concerned into the Purchaser. In need of performing any formalities by the Sellers and the Purchaser, they shall jointly coordinate with each other. All expenses in relation to such change shall be solely undertaken by the Purchaser.

8.5 Long-term Deferred Expenses

- (1) The completion of formalities in relation with contract change jointly with the Third Party or Parties thereto, onsite inventory check and signature and confirmation, and completion of owner change registered with power supply company (if necessary) shall be deemed as Completion of Handover.
- (2) As for any other long-term deferred expenses (equipment room decoration and alteration costs, rent for premises and real estates and the like.), relying on the Existing Telecommunications Tower Onsite Tangible Handover Form, the Sellers concerned shall provide booking basis, and completion of formalities in relation with contract change jointly with the Third Party or parties shall be deemed as Completion of Handover.

8.6 Current Assets

- (1) Other Receivables

The completion of formalities in relation with contract change jointly with the Third Party or Parties thereto, or the Sellers' sending creditors' right transfer notice to the obligators concerned shall be deemed as Completion of Handover.

(2) Stocks

Relying on the Existing Telecommunications Tower Onsite Tangible Handover Form, the Sellers shall deliver to the Purchaser in tangible form. Both the Sellers and the Purchaser shall make inventory check confirm the final handed over Target Assets List by signing on the Closing Confirmation, and such signature shall be deemed as Completion of Handover.

(3) Deferred Expenses

The relevant premise and real estate lease contracts shall be disposed subject to Article 10 herein. Both the Sellers and the Purchaser shall determine the balance of deferred expense, attributable period and attribution. Both the Sellers and the Purchaser shall sign on the Closing Confirmation, and such signature shall be Completion of Handover.

8.7 Liabilities

In relation to the liabilities transferred to the Purchaser, both the Sellers and the Purchaser shall complete change of contract jointly with the Third Party or Parties thereto and/or the Sellers concerned shall, as obligators, send debt transfer notice to the creditors concerned and obtain the consents from such creditors. Both the Sellers and the Purchaser shall confirm the final handed over Target Assets List by signing on the Closing Confirmation and such signature shall be deemed as Completion of Handover.

8.8 Miscellaneous

- (1) Unless otherwise specified in this Agreement, relying on the scope of Target Assets as stipulated in Annex 3 of this Agreement, as for any and all assets, documentations and contracts owned by any of the Sellers but not incorporated into the Existing Telecommunications Tower Onsite Tangible Handover Form or the scope of Appraised Assets, if both the Sellers and the Purchaser confirm they are within the scope of Target Assets under the Transaction, the Sellers shall deliver to the Purchaser in conformity with provisions herein, and confirm the final handed over Target Assets List by signing on the Closing Confirmation and such signature shall be deemed as Completion of Handover.
- (2) Relying on the scope of Target Assets as stipulated in Annex 3 of this Agreement, as for those incorporated into the Existing Telecommunications Tower Onsite Tangible Handover Form or the scope of Appraised Assets, if both the Sellers and the Purchaser confirm they are beyond the scope of Target Assets under the Transaction, both the Sellers and the Purchaser consents not to close.
- (3) The Sellers shall be obligatory to rescind any other encumbrance (if any).

9. Mode and Standards for Documentation Handover

9.1 The following documentation held by the Sellers, if fallen within the scope of documentation under the Transaction, such Seller or Sells shall make reasonable endeavors to provide:

- (1) Telecommunications towers and related documentations: project files (including: designs, replies to design, contracts, construction drawings, final acceptance document, completion settlement reports), plan permits, construction permits and other relevant project documents; purchase contracts (if any) directly purchasing telecommunications towers, copies of purchase invoices; operation instruction, warranty certificate and service records, and other related documentation; environment acceptance documentation; and in relation to any leased telecommunications towers, also including any consent letter given by the relevant Third Party specifying that such Third Party consents to transfer title therein to the Purchaser or any agreement concluded by the Sellers concerned, the Purchaser and Third Party concerned specifying the title attribution of the telecommunication towers and related assets, rent payment certificate and the like.

- (2) Real estate asset-related documentations: in relation to real estates purchased, including real estate purchase contract (original), title certificate (copy), invoice (copy), etc.; in relation to real estates built by any of the Sellers, including title certificate (copy), land plan permits, project plan permits, project construction permits, completion acceptance documents and related project files (original) (including: designs, replies to design, contracts, construction drawings, final acceptance document, completion settlement reports and other related project documents); and real estate transfer registration-related documentation; and in relation to real estates rented, refer to Subparagraph (6).
- (3) Documentations in relation to electric power, battery, air-conditioning, firefighting, security and other equipment: purchase contracts (if any), copies of purchase invoices, operation instruction, warranty certificate and service records, and other related documentation.
- (4) Land use right-related documentations: state-owned land use right certificates (original), land transfer/ assignment contracts (original), competent governmental approval (original or copy) and the like., land asset change records and corresponding evidences; collective construction land use right certificates (original), land transfer/ assignment contracts (original), competent governmental approval (original), etc, land asset change records and corresponding evidences; land use right transfer registration-related documentations; and in relation to premises rented, refer to Subparagraph (6).
- (5) Ongoing project-related documentations: as at Completion Date, unpaid project fund forms (matching project image progress), project expenditure breakdowns, project management documents (according to the fact of particulars of such projects, including feasibility researches and replies to such researches, designs and replies to designs, contracts, incoming lists, image progress reports, initial acceptance documents, pilot running reports and the like.); financial documentations (e.g.: copies of invoices, initial settlement documentations and the like.); and other related documentations obtained upon friendly consultation between the Sellers and the Purchaser, including, but not limited to, environment impact appraisal reports, resources use replies, asset receipt forms, supervision reports, integration reports, hidden work concurrent check, equipment operation instructions, installation manuals, project check and acceptance criteria and the like.
- (6) Long-term deferred expense-related documentations: if related to real estates and lands, real estate lease contracts, land lease contracts/land occupation compensation contracts originals, rent/compensation-related invoices and/or receipts copies, real estate and land title/use right certificates copies, title certificates, owners' confirmation letters consenting to relet or authorizing the lessor to rent or other documents guaranteeing the Purchaser's rights (if such lessor is not an owner), lessor's original handover lists and handover videos, lease holds delivery lists and the like.
- (7) Other receivable-related documentations: relevant contracts and/or agreements (original), invoices and/or receipts (original) and attachments, and change records and corresponding evidences for the period as of the Reference Date up to the Completion Date.
- (8) Stock-related documentations: purchase contracts, purchase invoices (copy), and entry/exit records confirmed by the Sellers and the Purchaser for the period as of the Completion Date up to the actual receipt date.
- (9) Deferred expense-related documentations: relevant contracts and/or agreements (original), invoices and/or receipts (original), and change records and corresponding evidences for the period as of the Reference Date up to the Completion Date; and in relation to real estates and land assets, refer to Subparagraph (6).

- (10) Liabilities-related documentations: relevant contracts and/or agreements (original), invoices and/or receipts (original), deposit receipts (copy) and change records and corresponding evidences for the period as of the Reference Date up to the Completion Date.
 - (11) Contract-related documentations: contracts and agreements (original, e.g. electricity bill contracts, real estate lease contracts, premises lease contracts) not included in the aforementioned categories but in connection with the Target Assets.
 - (12) Maintenance-related documentations: technical specifications, mobile Base Station (MBS) outsourced maintenance lists, mobile comprehensive outsourced maintenance lists, outsourced maintenance technical responses, outsourced maintenance management systems, BS blackout emergency management regulations, safe production management regulations and agreements, commitments to business integrity, appraisal system documents, BS maintenance service appraisal rules, BS maintenance service appraisal rules /outsourced maintenance, technical files, technical data, asset list, plans for standby and materials within 1 year prior to the Completion Date, outsourced maintenance unit appraisal records within such 1 year, asset maintenance documentations, resource occupation ledgers, maintenance and patrol records, equipment maintenance contracts, maintenance contact ledgers, maintenance records, patrol records, updated and altered project materials, owner maintenance ledgers, rents, electric bill ledgers and the like.
 - (13) Contracts or agreements involved in the aforementioned documentations shall include all annexes thereto, supplementary agreements, memos (original), letters of authorization, payment/receipt evidences, letters of consents obtained from the other party thereto in relation to the transaction therein, statement on contract implementation, and other documents and files regarding signature, performance, suspense and interpretation thereof.
- 9.2 The Sellers will provide documentation list for the Purchaser, and deliver the documentations to the Purchaser in its original form and/or copy form (including hard copy, electronic counterpart, or any other form), wherein, the land use right and real estate title shall be provided in original. Both the Sellers and the Purchaser shall make inventory check and confirm whether the documentations provided are correlated with the Cell Sites, and sign on the Closing Confirmation and such signature shall be deemed as Completion of Handover.

10. Mode and Standards for Asset-related Contact Relationship Handover

10.1 General

- (1) Unless otherwise agreed, any and all contracts in relation to the Target Assets, if signed by any of the Sellers with any third party, shall in general be transferred to the name of the Purchaser (“**Transferred Contract**”), including, but not limited to, property lease contracts, land lease contracts, premises lease contracts, land requisition compensation agreements, outsourced maintenance agreements, maintenance and warranty agreements, special maintenance contracts, external power introduction contracts, power supply contracts, quality warranty contracts and the like, and any factual contract not signed by the other party that rights and obligations are performed pursuant to such contract.
- (2) In relation to the Transferred Contracts, the threshold for division of relevant rights and obligations shall be as follows: (i) any and all rights and obligations originally owned or assumed by such Seller shall be owned or assumed by such Seller on or before the Completion Date; and (ii) any and all rights and obligations originally owned or assumed by such Seller under such Transferred Contract shall be in full owned or assumed by the Purchaser.

- (3) Any contract duly transferred by such Seller to the name of the Purchaser prior to the Completion Date without consents by and from the other parties concerned for any time or number reasons shall be a non-transferred contract (“**Non-Transferred Contract**”) and shall be held by such Seller on behalf of the Purchaser.

10.2 Transferred Contract Handover

- (1) In relation to any Transferred Contract, the following procedures shall be performed:
- i. Such Seller and the Purchaser shall take relevant actions to procure any other party or parties thereto to consent that the Purchaser will, as of the Completion Date, replace such Seller to be a party to such Transferred Contract, and to effect such replacement, such other party or parties shall sign an alteration agreement with such Seller and the Purchaser or issue a letter of consent to such Seller and the Purchaser.
 - ii. In relation to any contract whose term has expired, or will terminate prior to the Completion Date, such Seller consents, to the extent practical, reasonable and necessary, to take necessary actions to extend such contract till the Completion Date or any reasonable time point thereafter. If a contract is extended till the Completion Date, such Seller shall furnish the Purchaser with the information in relation to the other party or parties thereto, assist the Purchaser to execute any relevant agreements; while if a contract is extended till any reasonable time point after the Completion Date, such Seller shall, in conformity with the provisions regarding Transferred Contract herein, as soon as possible, complete the Handover. Any and all expenses arising from such extension shall, if attributable to the period after the Completion Date, solely be undertaken by the Purchaser.
- (2) In relation to any Non-Transferred Contract, the Sellers concerned shall first hold on behalf of the Purchaser, and the Sellers and the Purchaser consent to follow the following special covenants:
- i. Any and all rights, obligations, gains or losses held by or suffered by such Seller under such Non-Transferred Contract as of the Completion Date, except for those otherwise specified in this Agreement, shall be attributed to the Purchaser. Any interest received or held by such Seller under such Non-Transferred Contract shall be attributed to the Purchaser.
 - ii. After the Completion Date, such Seller will, subject to the Purchaser’s requirements, exercise and perform the rights and obligations under the Non-Transferred Contract. Unless otherwise required by the Purchaser, such Seller shall not amend any provision therein or terminate any Non-Transferred Contract.
 - iii. If Purchaser’s rights under any Non-Transferred Contract shall be implemented or enforced (including via lawsuit, arbitration or other necessary action) in the name of such Seller, such Seller shall, in its own name, assist the Purchaser to implement or enforce such rights.
 - iv. Such Sellers and the Purchaser will, within the period agreed otherwise by such Seller and the Purchaser, make its utmost reasonable endeavors to complete transfer formalities and/or obtain a letter of consents from the other party or parties thereto.
 - v. The Purchaser shall indemnify such Seller against any and all expenses actually incurred and arising from such Seller’s performance of the obligations as stipulated Subparagraphs (i) to (iv) herein, except for those led by the Seller.

10.3 Special Rules on Lease Contracts

- (1) In relation to any contract that will expire within 1 year after the Completion Date, the Sellers concerned may temporarily first hold on behalf of the Purchaser. Upon expiration, the Purchaser may directly sign an agreement with the Third Party or Parties thereto.
- (2) If both the Sellers and the Purchaser consent not to transfer to the name of the Purchaser, or the Third Party or Parties thereto object to such transfer, or any other reason leads to failure of such transfer, or the Third Party or Parties thereto increases greatly causing the lease cost increased remarkably, both the Sellers and the Purchaser consent that such contract shall be held by such Sellers on behalf of the Purchaser till expiration thereof. Prior to such expiration, the Purchaser may resign a contract with the Third Party or Parties thereto.
- (3) The Sellers will notify and make reasonable endeavors to coordinate with the lessors to engage in Handover of the real estates leased.

10.4 Miscellaneous

For the avoidance of doubt, any aforementioned arrangement shall not prevent the Sellers and the Purchaser from making any other arrangement upon the Handover of Target Asset-related contract relationships on the basis of consultation.

11. Special Rules on Sellers' Asset Handover

11.1 IPR Use

Any IPR use (if any) attached to the Target Assets shall be handed over in conformity with the aforementioned modes and procedures regarding contracts.

11.2 Assistance from Seller's Affiliate or Affiliates and Third Party

If any Seller or its Affiliate or Affiliates or any Third Party is involved in any Target Asset-related contract, such Seller will arrange all of the persons involved or their joint representatives to transact unitedly the handover procedures.

12. Special Covenants for Post-Handover Transition Period

12.1 Transition Period

In relation to a single Cell Site, the Transition Period means the period commencing from the Handover Day and ending on the Completion Date, or commencing from the Completion Date and ending on the Handover Day; while in relation to the Transaction, the Transition Period means the period commencing from the Completion Date and ending on the date on which the Purchaser completes the newly building and alteration of the PESM for the existing telecommunications towers. The Purchaser plans to complete the newly building and alteration of the PESM for the existing telecommunications tower prior to 30 June 2016.

12.2 Special Covenants for Transition Period

For the purpose of stable handover and operation of Target Assets and normal running of businesses relying such Target Assets, in order to ensure service quality and avoid any material adverse impact upon the Sellers' and the Purchaser's existing production and operation order, the Sellers and the Purchaser consent to perform their respective responsibilities and obligations during the Transition Period. It is hereby agreed as follows:

- (1) Prior to the date on which the Purchaser completes the newly building and alteration of the PESM for the inventory Cell Sites, the Purchaser will utilize the Sellers' existing monitoring and maintenance means to provide maintenance services. The Sellers consent that the Purchaser may, in conformity with such Sellers' authority, access and use relevant NMMS, PESM, WODS systems and provide supports.
- (2) The provincial branches and subsidiaries of the Sellers and the Purchaser shall conform to the maintenance docking plans agreed upon mutual consultation and perform daily maintenance work. The Purchaser shall actively response to the maintenance demand put forward by any of the Sellers. In order to realize stable transition, the Sellers shall assist and support the Purchaser when the latter provides maintenance services.

Annex 7: Schedule 1 Existing Telecommunications Tower Onsite Tangible Handover Form

Existing Telecommunications Tower Onsite Tangible Handover Form

Operator Physical Cell Site SN				China Tower Physical Cell Site SN		Operator		Location			
Appraised Assets - Breakdown	SN	Name of Asset	Operator Asset SN or Label No.	China Tower Asset SN	Unit	Qty.	Spec./ Type	Manufacturer	Status	Existing or not	Remarks
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
New Target Assets - Breakdown	SN	Name of Asset	Operator Asset SN or Label No.	China Tower Asset SN	Unit	Qty.	Spec./ Type	Manufacturer	Status	Existing or not	Remarks
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
										<input type="checkbox"/> Y <input type="checkbox"/> N	
Onsite Maintenance Records	KWH meter SN										
	Electricity meter closed at										
	Keys to equipment rooms			<input type="checkbox"/> access cards <input type="checkbox"/> general keys <input type="checkbox"/> special keys <input type="checkbox"/> property keys							
	Are keys to equipment rooms handed over?			<input type="checkbox"/> Yes <input type="checkbox"/> No							
	Is the preserved region satisfying?			<input type="checkbox"/> Yes <input type="checkbox"/> No							
	Power supply mode:			<input type="checkbox"/> transsupplied <input type="checkbox"/> straight <input type="checkbox"/> by owned transformer							
	Real estate contact (incl. Tel.):										
	Power supply contact (incl. Tel.):										
	Controversy records:										

Operator: **China Tower:** **Outsourced Maintenance Company:** **Handover Date:**

Annex 7: Schedule 3 Existing Telecommunications Tower Documentation Handover Form**Existing Telecommunications Tower Documentation Handover Form**

Operator:		Filled by:		Filled on:	
China Tower:		Received by:		Received on:	
SN	Type	Name	Ref.	Holding means	Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

Schedule 3-2 Single Cell Site Breakdown

Existing Telecommunications Tower Documentation Handover Form - Single Cell Site Breakdown

Physical Cell Site SN	Real Estate Title Certificate (original)	Land Use Right Certificate (original)	Telecommunications Towers Lease Contract	Real Estate Lease Contract	Land Lease Contract	Real Estate Purchase Contract (original)	Land Purchase Contract (original)	Joint Building Agreement & Settlement List	Outsourced Maintenance Agreement	Emergency (electric bill) Contract	Telecommunications Towers and Base Station (BS) Equipment Room Design Document and Completion Files	Purchase Contract for TTs, Switching Power Supply, Batteries, and Air-conditioning Equipment as of 1 Jan 2014	Others

Note: Unless otherwise stated specially, the documentation may be submitted in original, copy or scan copy forms.

Annex 8: the Sellers' Statements and Guarantees

As at the signature date of this Agreement and Completion Date, except for those disclosed in writing in the Transaction Documents (including the Breakdown of the Appraised Assets disclosed by the Sellers) or those otherwise agreed by the Sellers and the Purchaser, in all material aspects or for all material purposes, the Sellers shall make the following statements and guarantees to the Purchaser:

1. Documentation

- 1.1 The documentations provided to the Purchaser or its Representative and/or consultants in relation to the Target Assets are for all material purposes genuine, accurate and complete, free of any misleading, false statement and/or omission in all material aspects.

2. Target Assets

2.1 Title or Ownership

- (1) In relation to the Target Assets whose title is transferred by the Sellers to the Purchaser, except for those disclosed in the Target Assets List or other Transaction Documents, Sellers (or its branches or Subsidiaries) have legal intact ownership and/or right of disposal upon such Target Assets.
- (2) In relation to the Target Assets purchased by the Purchaser according to this Agreement, unless otherwise agreed in this Agreement, the Purchaser will be entitled to, after the Closing, any and all rights stipulated by law that the owner and user of the Target Assets may be entitled subject to the original ownership status; and may transfer and/or dispose by law such assets and will not be limited by any detention, mortgage or any other encumbrance.

2.2 In relation to setup, survival and actual status of the Target Assets

- (1) The operation and management of the Sellers upon the Target Assets are in compliance with the applicable practices.
- (2) The applicable national laws, regulations, rules and policies are complied with; the national and industrial standards and criteria are followed. The Target Assets can be put into normal use, and are free from any Material Defect.

2.3 Change of Target Assets

- (1) The applicable national laws, regulations, rules and the Sellers' internal management requirements are complied with; and there is no material adverse impact upon handover and operation of the Target Assets.
- (2) The Sellers carry out asset management and project construction as usual, and in case of material change upon the Target Assets (if any), will forthwith notify the Purchaser.

3. IPRs

Except for those restricted by the IPR agreements signed by the Sellers, the operation of the Target Assets is free of any restriction, and has obtained all necessary IPR permits, which empowers the Purchaser to continue to use the Target Assets during the permit use period in the same mode permitted prior to the signature date of this Agreement.

4. Asset-related Contracts

4.1 Contract relationship and business arrangement in relation to the Target Assets:

- (1) are in conformity with general principles of business, and concluded in normal business course based upon fair business terms.
- (2) are disposed in accordance with the principles or modes as stipulated in this Agreement, free of any material barrier.

5. Compliance with Tax Administration and Other Laws

- 5.1 The Sellers comply with any and all applicable tax administration and other legal requirements. On or before the Completion Date, all taxes and other legal liabilities arising from the Target Assets shall be solely borne by the Sellers.
- 5.2 Any and all tax and other legal liabilities arising prior to the Completion Date, although delayed after the Completion Date shall also be solely borne by the Sellers.

6. Legal Proceedings and Investigation

6.1 Legal Proceedings

- (1) To the best knowledge of the Sellers, except for any debt arising from the Seller's collection in the normal business course, in relation to the Target Assets, there is no pending, threatened or outstanding material lawsuit, arbitration or administrative proceedings or any governmental or official significant investigation.
- (2) To the best knowledge of the Sellers, there is no potential event that may lead to the aforementioned proceedings, investigation or review.

- 6.2 Any and all material lawsuits, arbitration or administrative proceedings or any governmental or official significant investigations and other disputes and controversies in connection with the Target Assets, if arising on or before the Completion Date, the Sellers shall continue to dispose and assume all liabilities therefrom.

**China TieTong Telecommunications
Corporation**

and

China Mobile TieTong Company Limited

**Agreement on the Transfer of Business and
Assets of China TieTong
Telecommunications Corporation**

November 2015

Table of Content

Section 1. Definitions	1
Section 2. Transfer and Acquisition	4
Section 3. Consideration for Transfer	4
Section 4. Pre-delivery Arrangement	5
Section 5. Prerequisites for Delivery	7
Section 6. Delivery	8
Section 7. Representations and Warranties of Party A	12
Section 8. Representations and Warranties of Party B	16
Section 9. Taxes and Charges	16
Section 10. Default Liabilities	16
Section 11. Settlement of Disputes	17
Section 12. Effectiveness and Amendment	18
Section 13. Miscellaneous	18

Agreement on the Transfer of Business and Assets of China TieTong Telecommunications Corporation

This agreement (“**this Agreement**”) is entered into by and between the following parties (“**Parties**”, each a “**Party**”) in Beijing, the People’s Republic of China (“**China**”) on November 27, 2015:

Party A: China TieTong Telecommunications Corporation

Address: No.2 Guangningbo Street, Xicheng District, Beijing
Legal Representative: Tian Limin

Party B: China Mobile TieTong Company Limited

Address: No.2 Guangningbo Street, Xicheng District, Beijing
Legal Representative: Tian Limin

Whereas:

1. Party A is a limited liability company incorporated in the territory of China, and China Mobile Communications Corporation (“**CMCC**”) holds 100% of its equity, and its business scope covers approved telecommunication business, communication equipment testing, communication instruments and apparatus inspection, sale and lease of communication terminals, installation, engineering construction and repair of communication facilities, operating system integration related to mobile communications, VoIP and Internet business, sale and lease of fixed and mobile communications terminal equipments and after-sale services.
2. Party B is a limited liability company incorporated in the territory of China, 100% of its equity is held by China Mobile Communication Co., Ltd., a domestic subsidiary of China Mobile Limited (“**Listed Company**”) controlled by CMCC.
3. In order to integrate the internal resources of CMCC, promote the convergence of fixed-line business and mobile business and development of full-service business, upon consensus between both Parties, Party A is intended to transfer all business and assets it owns and operates to Party B, together with all creditor’s rights, debts, subscribers and serving employees related to the transferred business and assets.

Therefore, both Parties reach the following agreement on a principle of equality and mutual benefits after amicable negotiation.

Section 1. Definitions

1.1 Except the context requires otherwise, the following terms shall have the following meanings in this Agreement:

- (1) “**Subject of Transfer**” refers to all business and related assets owned and operated by Party A on the date of the Delivery Date (excluding the Delivery Date). All creditor’s rights, debts, subscribers and serving employees in connection with the transferred business and assets on that date (excluding the Delivery Date) shall be transferred to Party B along with the Subject of Transfer.
- (2) “**Transferred Business**” refers to all businesses actually operated by Party A on the Delivery Date within the business scope set out in Party A’s Business License, including but not limited to fixed-line local telephone services, fixed-line domestic and international long-distance telephone services, VoIP services (limited to Phone - Phone telephone services), public telegram and subscriber telegram services; Internet access service unrelated to TD-SCDMA (including wireless access services of 3.5GHz and 26GHz); fixed-line domestic data transmission services and customer premises network services in Class 2 basic telecommunication services; voice mail services, facsimile storage and forwarding services, X.400 email services, call center services and Internet access services in Class 2 value-added telecommunication services; information services (limited to fixed-line network telephone information services), Internet information services (excluding news, publishing, education, medical, healthcare, drugs, medical instruments and BBS services and other contents); communication equipment testing; communication instruments and apparatus inspection; sale and lease of communication terminal equipment. Installation, engineering construction and repair of communication facilities, operation of system integration related to mobile communication, VoIP and Internet business, sale and lease of fixed and mobile communication terminal equipment and after-sale services.

- (3) **“Transferred Assets”** refers to all assets to be transferred from Party A to Party B in accordance with this Agreement that are included in the Final List, including but not limited to current assets (such as monetary fund, account receivables and inventories) included in the *Assets Evaluation Report* and the Final List, long-term equity investment (including equity investment in subsidiaries and joint stock companies) and long-term financial assets, land use right, buildings, structures and other ancillary facilities with perfect title, various equipments, IPRs, as well as contracts, agreements, operating materials, documents and files related to such assets, but excluding any assets not listed in the *Assets Evaluation Report* and the Final List. Specific scope of the Transferred Assets shall also include all assets listed in the Annexes to the *Assets Evaluation Report* (adjusted based on the disposal, assumption or change of all the assets listed in the Annexes to the *Assets Evaluation Report* for the purpose of and required by the Transferred Business during the transition period) and other assets purchased, built, manufactured, developed or otherwise obtained by Party A during the transition period for the purpose of and required by the Transferred Business, specific scope of the Transferred Assets shall be jointly confirmed by both Parties according to the provisions of this Agreement on the Delivery Date and listed in the Final List.
- (4) **“Transferred Liabilities”** refers to the liabilities to be transferred by Party A to Party B in accordance this Agreement that are related to the Transferred Business and Transferred Assets and are listed in the *Assets Evaluation Report* and the Final List, as well as the contracts, agreement, materials, documents and files related to such liabilities, excluding any liabilities not listed in the *Assets Evaluation Report* and the Final List. Specific scope of the Transferred Liabilities shall also include all liabilities listed in the Annexes to the *Assets Evaluation Report* (adjusted based on the change of related liabilities during the Transition Period) and the liabilities newly created for the purpose of and required by the Transferred Business during the Transition Period, specific scope of the Transferred Liabilities shall be jointly confirmed by both Parties according to the provisions of this Agreement on the Delivery Date and listed in the Final List.
- (5) **“Transferred Contracts”** refers to all contracts that are transferred along with the Subject of Transfer in accordance with the provisions of this Agreement and the party to which shall be changed from Party A to Party B.
- (6) **“Reallocated Employees”** refers to the contract employees of Party A on the Delivery Date who voluntarily terminate the employment with Party A and execute new labor contracts with Party B in accordance with this Agreement.
- (7) **“Re-dispatched Workers”** refers to those workers who executed labor contract with a labor dispatching company and are dispatched to work for Party A according to a labor dispatching agreement between the labor dispatching company and Party A and are re-dispatched by the labor dispatching company to work for Party B from the Delivery Date with the approval of Party B.

- (8) **“Base Date”** refers to May 31, 2015.
- (9) **“Assets Evaluation Report”** refers to the assets evaluation report (ZQHPBZi, (2015) No.1235) prepared by Beijing China Enterprise Appraisals Co., Ltd. on November 13, 2015 for the purpose of the transfer of the Subject of Transfer set out herein and filed with CMCC.
- (10) **“Audited Financial Statements”** refers to the Financial Statements of the Subject of Transfer audited by PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) for the purpose of the transfer of the Subject of Transfer, for which PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) had issued an auditor’s report (PHYDZTTSZi, (2015) No.1658) on November 12, 2015.
- (11) **“Transition Period”** refers to the time period from the next day of the Base Date to the Delivery Date.
- (12) **“Delivery”** refers to the delivery of the Subject of Transfer by Party A to Party B or a third party specified by Party B in accordance with the provisions of this Agreement.
- (13) **“Delivery Preparation Period”** refers to the time period from the date of this Agreement to the Delivery Date.
- (14) **“Delivery Date”** refers to December 31, 2015 or another date agreed between both Parties for Delivery.
- (15) **“Delivery Plan”** shall have the meanings set out in Section 4.3 hereof.
- (16) **“Delivery Completion Date”** shall have the meanings set out in Section 6.2(2) hereof.
- (17) **“Final List”** refers to the list of assets and liabilities, contracts as well as Reallocated Employees and Re-dispatched Workers that should ultimately be included in the scope of transfer in accordance with the provisions of this Agreement jointly confirmed by both Parties on the Delivery Date.
- (18) **“Working Day”** refers to any days other than statutory holidays and rest days of China.
- (19) **“China”** refers to the People’s Republic of China (excluding Taiwan, Hong Kong Special Administrative Region and Macao Special Administrative Region solely for the purpose of this Agreement).
- (20) **“Yuan”** refers to RMB Yuan.
- (21) **“Accounts”** shall have the meanings set out in Section 7.4(1) hereof.
- (22) **“Significant adverse impact” or “significant adverse change”** refers to any activities, events, facts, conditions, changes or influence that (a) cause or may cause significant adverse impact on the general management, operations, development, operating results or (financial or other) conditions of the Subject of Transfer; or (b) cause or may cause significant damage to the capability of any party to perform its obligations hereunder. Provided that, however, without prejudice to whether another event constitutes significant adverse change or significant impact, any event causing a loss or payment exceeding 5% of the consideration for transfer set out in Section 3.1 hereof shall constitute significant adverse impact or significant adverse change.

- (23) “**Due Date**” shall have the meanings set out in Section 10.3 hereof.
- (24) “**Due Amount**” shall have the meanings set out in Section 10.3 hereof.
- (25) “**Third Party Claim**” shall have the meanings set out in Section 11.2 hereof.

Section 2. Transfer and Acquisition

- 2.1 Party A agrees to transfer the Subject of Transfer to Party B according to the terms and conditions of this Agreement. Party B agrees to acquire the Subject of Transfer from Party A according to the terms and conditions of this Agreement.
- 2.2 Both Parties agree that, from the Delivery Date, Party B shall have and undertake all rights and obligations related to the Subject of Transfer, and Party A will no longer have any rights or interests related to the Subject of Transfer, nor will it undertake any obligations and liabilities related to the Subject of Transfer, except those otherwise provided for by laws or this Agreement.

For avoidance of doubt, Party B shall have no right to any assets and liabilities (including but not limited to potential liabilities, responsibilities and obligations) not listed in the *Assets Evaluation Report* and Final List, nor shall it bear any responsibilities and obligations therefor; Party A shall continue to have right to any assets and liabilities not listed in the *Assets Evaluation Report* and Final List, and bear responsibilities and obligations therefor.
- 2.3 Both Parties agree that the Subject of Transfer shall be managed by Party B from the Delivery Date. For avoidance of doubt, within reasonable period after the Delivery Date, Party A shall provide Party B with all necessary and reasonable assistances and supports to manage the Subject of Transfer.
- 2.4 Both Parties agree that all Reallocated Employees shall be admitted by Party B; Re-dispatched Workers will be re-dispatched to Party B according to a Labor Dispatching Agreement between the Labor Dispatching Company and Party B.

Section 3. Consideration for Transfer

- 3.1 Both Parties agree that the consideration for the transfer shall be RMB31.88 Billion Yuan Only (RMB31,880,000,000).
- 3.2 The consideration for the transfer shall be adjusted based on the change of the Subject of Transfer during the Transition Period. Party B shall, within a reasonable period of time after the Delivery Date, retain an independent auditor acceptable to both Parties to audit the Transferred Assets and Transferred Liabilities on the Delivery Date, and to determine all assets and liabilities to be listed in the Final List. The audited net assets book value of the Subject of Transfer changed due to increase or decrease of operating fund, capital expenditure, depreciation and liabilities during the Transition Period shall be adjusted amount of consideration for the transfer (“**Adjusted Amount of Consideration for the Transfer**”). Both Parties agree that the Adjusted Amount of Consideration for the Transfer shall not exceed RMB 1 Billion Yuan Only (RMB1,000,000,000).
- 3.3 Party B shall make payment in cash of the full consideration for the transfer set out in Section 3.1 of this Agreement to the account specified by Party A on the Delivery Date.

- 3.4 Both Parties shall complete the settlement and payment within 15 Working Days after the independent auditor completes the audit of the Transferred Assets and Transferred Liabilities on the Delivery Date according to Section 3.2 of this Agreement and submits an auditor's report.

Section 4. Pre-delivery Arrangement

- 4.1 Party A undertakes to Party B that during the period from the date of this Agreement to the Delivery Date, except otherwise provided for herein or otherwise agreed by both Parties:
- (1) It will not make any significant change to the customary operating policy and financial policy of the Subject of Transfer without consent from Party B, and will take necessary and effective measures to ensure the implementation of the customary operating policy and financial policy;
 - (2) It will take all necessary actions and measures to ensure the normal operation and management of the Subject of Transfer, and provide subscribers with services that are in compliance with customary standards;
 - (3) It will make prudent fixed assets investments according to its approved annual investment plan taking into account both the network operation safety and market requirements; without consent from Party B, it will not change the confirmed projects, planning, plans and schemes for fixed assets investments; consent shall be obtained from Party B for any unplanned fixed assets investments with an amount over RMB10,000,000;
 - (4) Without consent from Party B, it will not sell, transfer or otherwise dispose of any assets where the value of a single asset or the accumulative value of homogeneous assets exceeds RMB10,000,000, or borrow additional loan with an amount or accumulative amount exceeding RMB10,000,000, or provide any guarantee to any third party debts;
 - (5) Without consent from Party B, it shall not add the number of contract employees and dispatched workers or make significant adjustment to the headcounts, positions, remunerations or welfare benefits of current employees except for the adjustment to the employee structure according to the pre-determined plan of which Party B was informed;
 - (6) It will fully notify or consult with Party B on any events that may cause significant adverse change to the Subject of Transfer, or will ensure Party B is fully informed or consulted with.

Except as otherwise agreed herein, Party A undertakes that the above undertakings will continue to apply as long as any Subject of Transfer has not been delivered to Party B on the Delivery Date.

- 4.2 Both Parties agree to take any necessary and reasonable measures and actions to work with each other to procure that all prerequisites for delivery as set out herein are met by the Delivery Date.
- 4.3 For the purpose of completing the Delivery, each party shall establish a delivery working team in charge of preparations for the Delivery. Both Parties shall work with each other to take inventory of the Subject of Transfer and prepare a specific delivery plan for the transfer of businesses, assets, liabilities, subscribers and personnel ("**Delivery Plan**"), and take appropriate and necessary measures to ensure normal operation of related business and services, smooth delivery of assets and liabilities and smooth transfer of subscribers and personnel. Preparatory works for the Delivery include but are not limited to:
- (1) Transferred Business:

- (a) Both Parties shall make joint endeavor to obtain consent from or filing with related competent authorities as for the taking of the Transferred Business by Party B or a third party specified by Party B, and obtain consent from or filing with the competent authorities or a third party as for the transfer of related number resources, IP addresses by Party A to Party B or a third party specified by Party B.
 - (b) Both Parties shall negotiate with other telecommunication companies and related parties to make arrangement on interconnection related to the Transferred Business.
 - (c) Both Parties shall make joint endeavor to well prepare for migration of subscribers to ensure smooth migration of subscribers to Party B or a third party specified by Party B. Both Parties shall work with each other to stocktaking and confirm the subscribers, verify scope of subscribers, information of subscribers and the contractual documents and related creditor's rights and debts to be transferred along with subscribers, gather service agreements, receipts and related documents related to subscribers, and determine the content and publishing method of the announcement to subscribers.
- (2) Transferred Assets and Transferred Liabilities
- (a) As for the Subject of Transfer, Party A shall complete the preparatory works (including but not limited to making inventory of the Subject of Transfer) for the Delivery according to the Delivery Plan by the Delivery Date, and provide Party B with one or more copies of the list of Transferred Assets and Transferred Liabilities on the Delivery Date.
 - (b) As for the Transferred Assets the title documents of which need to be changed, both Parties shall work with each other to compile, gather, ameliorate and prepare various application forms and documents required for the transfer of such assets from Party A to Party B.
- (3) Transferred Contracts
- (a) For the purpose of completing the Delivery, Party A shall provide Party B with a list of Transferred Contracts on the Delivery Date, which shall include each and every contract, agreement and arrangement related to the Delivery of the Transferred Assets and Transferred Liabilities, including the lease agreements, maintenance agreements and other related contracts, agreements and arrangement executed between Party A and any third parties for the purpose of the Transferred Business.
 - (b) Party A shall take related actions to procure the parties listed in the list of Transferred Contracts to agree that Party B shall substitute Party A to become a party to related contracts from the Delivery Date. Such substitution shall be carried out in the following way: on the premise that the parties to related Transferred Contract agree that Party B substitutes Party A to become a party to that Transferred Contract from the Delivery Date, the other parties to the Transferred Contract shall sign a letter of acknowledgment to change the parties to the contract. Except as otherwise agreed in this Agreement, Party A shall obtain letters of acknowledgment signed by the other parties to the Transferred Contracts agreeing to change the contract subject from Party A to Party B during the Delivery Preparation Period.
 - (c) For any Transferred Contracts which are in effect after this Agreement becomes effect but the contract terms of which will expire before the Delivery Date ("**Renewable Contracts**"), Party A shall take necessary actions to extend the expiration date of such Renewable Contracts to the Delivery Date or a reasonable date after the Delivery Date. For any Renewable Contracts which expire on the Delivery Date or which are to expire before the Delivery Date but actions have been taken to extend the expiration date to the Delivery Date, Party A shall provide Party B with the information about the other parties to such Renewable Contracts, and assist Party B to execute new agreements with such other parties; for any Renewable Contracts of which the expiration dates are extended to a reasonable date after the Delivery Date, Party A shall follow the provisions set out in Section 4.3 (3)(b) above.

- (4) Reallocated Employees and Re-dispatched Workers
 - (a) Party A shall make adjustment according to the employees adjustment plan provided to Party B before the Delivery Date so that the proportion of dispatched workers is in compliance with the requirements of laws and regulations.
 - (b) Party A shall determine the list of Reallocated Employees on the Delivery Date, and provide detail information and human resources information data about the Reallocated Employees according to the requirements of Party B.
 - (c) As for Re-dispatched Workers, both Parties shall discuss with corresponding labor dispatching companies to procure such labor dispatching companies to agree to rescind the dispatching agreements with Party A, and execute new dispatching agreements which come into effect on the Delivery Date with Party B.

Section 5. Prerequisites for Delivery

5.1 The delivery is subject to the condition that the following prerequisites are met or exempted:

- (1) This Agreement has become effect;
- (2) The representations and warranties made by Party A on the execution date of this Agreement remain true, correct and complete on the Delivery Date and there are no misleading and false representations and omissions in all material respects;
- (3) Party A has performed and abode by all agreements, obligations and conditions required by this Agreement that Party A should perform and abide by before the Delivery Date;
- (4) No event that has significant adverse impact on the status of the Subject of Transfer has occurred;
- (5) The Board of Directors and shareholders of Party A have approved the transaction under this Agreement according to its corporate governance documents and applicable laws and regulations;
- (6) The Board of Directors and shareholders of Party B have approved the transaction under this Agreement according to its corporate governance documents and applicable laws and regulations, and the Listed Company has approved the transaction under this Agreement according to its corporate governance documents and applicable laws and regulations as well as listing rules;
- (7) All necessary government approval, permission or authorization has been obtained in connection with the transaction under this Agreement.

5.2 Both Parties shall make reasonable endeavor to meet all prerequisites mentioned above as soon as practicably possible before December 31, 2015. If not all prerequisites mentioned above have been realized on or before December 31, 2015, if practical, both Parties may consult with each other to postpone the realization date of such prerequisites in writing, or to exempt related prerequisites and deem all prerequisites are realized.

Section 6. Delivery

6.1 Principles for the Delivery

- (1) **Subject of the delivery.** Party B is entitled to specify a third party to directly acquire all or part of the Subject of Transfer. To the extent that a third party specified by Party B directly acquires all or part of the Subject of Transfer, Party A shall directly transfer all or specified part of the Subject of Transfer to the third party specified by Party B. The Delivery under this Agreement shall include the Delivery of all or part of Subject of Transfer to the third party specified by Party B. The transfer or delivery of the Subject of Transfer by Party A to the third party specified by Party B shall be deemed as completion and performance of the delivery obligations in connection with the Subject of Transfer.
- (2) **Transfer of title of the Subject of Transfer.** Both Parties agree that the Subject of Transfer shall be deemed as legally owned by Party B from the Delivery Date. Except otherwise agreed between both Parties, all rights and interests related to the Subject of Transfer before the Delivery Date shall belong to Party A and all obligations and liabilities related to the Subject of Transfer shall be borne by Party A; on or after the Delivery Date (after both Parties confirm the delivery), all rights and interests related to the Subject of Transfer shall belong to Party B and all obligations and liabilities related to the Subject of Transfer shall be borne by Party B. If the Delivery of part of the Subject of Transfer can be made only after the Delivery Date, such part of the Subject of Transfer not actually delivered by Party A on the Delivery Date shall be held by Party A on trust for Party B in a honest and faithful manner, and shall be kept and disposed of as per Party B's instruction at the expense of Party B.
- (3) **Legal liabilities related to the Subject of Transfer.** Both Parties agree that related legal liabilities arising out of or in connection with the Subject of Transfer shall be borne in the following manner:
 - (a) All liabilities of Party A and the Subject of Transfer under laws, administrative regulations, administrative rules and local regulations before the Delivery Date, including but not limited to liabilities in respect of tax and environmental protection, shall be borne by Party A.
 - (b) Party A shall continue to handle all suits, arbitrations, administrative investigations and other disputes arising out of or in connection with the matters related to Party A or the Subject of Transfer before the Delivery Date, whether such suits, arbitrations, administrative investigations or other dispute dissolution proceedings have been actually brought or initiated before the Delivery Date, related liabilities shall be borne by Party A, and related rights shall be handled according to this Agreement.

6.2 Schedule of the Delivery

- (1) **Delivery Date.** Both Parties agree that, to the extent that all prerequisites for Delivery set out in Section 5 of this Agreement are fully met or waived by the party entitled to waive such prerequisite, the Delivery Date shall be December 31, 2015; if the prerequisites for Delivery set out in Section 5 of this Agreement have not been fully met or waived by the party entitled to waive such prerequisite as of December 31, 2015, both Parties shall discuss in good faith to determine another Delivery Date. On the Delivery Date, both Parties shall work with each other and coordinate related third parties to provide assistance to complete the following matters:
 - (a) Party B pays Party A the consideration for transfer set out in Section 3.1;

- (b) Party A and Party B or a third party specified by Party B execute the Final List;
 - (c) Announcement in connection with the migration of subscribers involved in the Transferred Business is issued.
- (2) **Period of Delivery.** Both Parties agree to work with each other to substantially complete the Delivery of the Subject of Transfer according to the Delivery Plan agreed between both Parties within 90 days after the Delivery Date, and shall confirm the actual progress of the Delivery by executing an Acknowledgment for overall Delivery on the 90th day after the Delivery Date (“**Delivery Completion Date**”). Both Parties shall attach a detailed list of delivered and undelivered Subject of Transfer to the *Acknowledgment for Delivery* as a basis for subsequent arrangement between both Parties. From the Delivery Date to Delivery Completion Date, both Parties shall complete the Delivery of the following Subject of Transfer according to the Final List:
- (a) Party A delivers the Transferred Assets to Party B;
 - (b) Party A delivers the Transferred Liabilities to Party B;
 - (c) Party A assigns the rights and obligations under the Transferred Contracts to Party B;
 - (d) Registration of change of titles in the Transferred Assets such as properties, land use right, IPRs and equities (if necessary);
 - (e) Party A delivers all approvals and replies, licenses, title documents, contracts, agreements, business records, operation records, statistical documents, instruction books, maintenance manuals, training manuals and other documents and materials in connection with the Subject of Transfer and attached to the Transferred Assets to Party B, whether recorded in form of text, computer software, hardware or otherwise;
 - (f) Other contents specified in the Deliver Plan or other matters related to the Delivery.
- (3) **Subsequent Delivery.** Subsequent Delivery shall be made for the Subject of Transfer not delivered fully on the Delivery Completion Date according to the Delivery Plan. In the sixth and ninth month after the Delivery Date, both Parties shall jointly check the performance of the subsequent arrangements and special agreements mentioned above, and sign an *Acknowledgment for the Performance of Subsequent Arrangement*. Both Parties shall fully consult with each other for any unfinished matters set out in the *Acknowledgment for the Performance of Subsequent Arrangement*, make corresponding subsequent arrangement and execute related arrangement. Assets not delivered on the expiration of the ninth month after the Delivery Date will not be delivered except otherwise agreed between both Parties. Such assets shall be recovered by Party A and refund corresponding consideration for transfer in lump sum at the evaluated value for such assets determined in the *Assets Evaluation Report* within 30 days after the expiration of the ninth month after the Delivery Date.

6.3 Special Agreements on the Delivery of Various Subjects of Transfer

(1) Special agreement on the Transferred Contracts

- (a) As for the Transferred Contracts, except otherwise provided for in this Agreement, Party A shall give assistance to change the subject of related contracts from Party A to Party B or assist Party B to execute new contracts or agreements in lieu of the Transferred Contracts.

- (b) As for the contracts for telecommunication business between Party A and subscribers, Party A and Party B or a third party specified by Party B shall make joint or separate announcement to announce that related telecommunication services will be provided by Party B or a third party specified by Party B from the Delivery Date, and the contractual rights and obligations will be wholly transferred to Party B or the third party specified by Party B from the Delivery Date.
- (c) If consent for the transfer of certain Transferred Contracts is not obtained from the other party to the contract, or the telecommunication subscribers of Party A raise objection to the transfer of contracts, such contracts shall be deemed as contracts not transferred (the “**Contracts Not Transferred**”). As for the Contracts Not Transferred, both Parties specially agree that:
 - (i) Except as otherwise provided for in this Agreement, all rights or obligations, incomes and losses under the Contracts not Transferred from the Date of Delivery shall be assigned to Party B. Party A agrees that all interests received or held by Party A in connection with the Contracts Not Transferred shall be received or held by Party A on trust for Party B, and the ownership of such interests shall belong to Party B, and Party A shall delivery such interests to Party B as requested by Party B from time to time.
 - (ii) Party A shall exercise and perform the rights and obligations under the Contract Not Transferred in strict accordance with the instructions given by Party B from time to time, and shall not modify any provisions of or terminate any Contracts Not Transferred without consent from Party B.
 - (iii) Party A will specify Party B or a third party specified by Party B to perform, on its behalf, the obligations under the Contracts Not Transferred to the other party; Party B shall indemnify Party A for reasonable expenses actually incurred by Party A in performance of the obligations under paragraph (a) and (b) above, except those expenses incurred due to Party A’s intentional misconduct, negligence or other fault of Party A. Party A shall compensate Party B for all losses incurred by Party B due to Party A’s intentional misconduct, negligence or other fault.
 - (iv) To the extent that the rights (including filing a lawsuit, arbitration or other necessary actions) of Party B under any Contracts Not Transferred need to be exercised in the name of Party A, Party A shall assist Party B to exercise such rights in its name.
 - (v) Both Parties shall make best endeavor to complete the transfer procedure of the Contracts Not Transferred and/or obtain the letter of consent from the other parties to the Contracts Not Transferred.

(2) Special agreement on changes to the registration of the Transferred Assets:

- (a) As for the land use right transferred from Party A to Party B, Party A warrants to assist Party B to apply for a state-owned land use right certificate with Party B as title owner from related land administration department within nine months after the Delivery Date or by such other date as agreed between both Parties. Party A shall bear all expenses and land appreciation tax and related taxes payable by Party A under related laws, regulations, taxation laws and rules arising from or in connection with such matters, and Party B shall bear all expenses, related taxes payable by Party B under related laws, regulations, taxation laws or regulations. Stamp duties (if any) shall be shared between both Parties according to related laws and regulations;

- (b) As for the houses and construction in process transferred from Party A to Party B, Party A warrants to assist Party B to apply for a title deed with Party B as title owner from related property administration department within nine months after the Delivery Date (or six months after the completion of construction in process for houses and construction in process for which only construction in process license is obtained) or by such other date as agreed between both Parties. Party A shall bear all expenses and land appreciation tax and related taxes payable by Party A under related laws, regulations, taxation laws and rules arising from or in connection with such matters, and Party B shall bear all expenses and related taxes payable by Party B under related laws, regulations, taxation laws and rules. Stamp duties (if any) shall be shared between both Parties according to related laws and regulations;
- (c) As for the Transferred Assets in the Subject of Transfer of which the title certificate needs to be changed (such as software copyrights, patent rights, vehicles, and etc.), Party A warrants to assist Party B to apply for change of the title owner in the title certificate from Party A to Party B and apply for a new title certificate (if necessary) from related competent governmental authorities within nine months after the Delivery Date or by such other date as agreed between both Parties. Party A shall bear all expenses and related taxes payable by Party A under related laws, regulations, taxation laws and rules arising from or in connection with such matters, and Party B shall bear all expenses and related taxes payable by Party B under related laws, regulations, taxation laws and rules. Stamp duties (if any) shall be shared between both Parties according to related laws and regulations;
- (d) If, in the process of changing registration of the Transferred Assets mentioned above, it is required by the registry to execute a separate agreement, both Parties shall execute related agreement in good faith and cooperation, and the content of such agreement shall be in compliance with the principles provided for in this Agreement. In no case shall Party B be required to pay any consideration for such a transfer.

(3) Treatment of loss and defect of the Transferred Assets

Both Parties agree that the Delivery shall be made on the principle that the account, statement (assets inventory statement) and physical assets shall be in reconciliation.

- (a) If the Transferred Assets listed in the Final List is lost or damaged during the period from the Delivery Date to the actual Delivery due to the reason of Party A, Party A shall be liable for compensation or supplementation.
- (b) If after actual Delivery, the Transferred Assets listed in the Final List are found to have major defects attributable to any reason before the Delivery Date, Party A shall be liable for replacement or compensation.

(4) Both Parties agree that the Reallocated Employee shall be transferred according to the following arrangement:

- (a) Party A rescinds the labor contracts with the Reallocated Employees according to laws on the Delivery Date. All salaries, remunerations, bonus, expenses, liabilities and disputes related to the Reallocated Employees before the Delivery Date (including those incurred after the Delivery Date but shall be borne by Party A) shall be borne by Party A.

- (b) Party B executes labor contracts with Reallocated Employees according to laws with the contract term beginning from the next day of Delivery Date to the expiration date of the original labor contracts. If the original remaining contract term is less than 1 year, and if Party B and the Reallocated Employees reach a consensus, contract term may be re-determined at no less than 1 year in principle. When calculating the length of service of Reallocated Employees in Party B, the length of service of the Reallocated Employees with Party A shall be added.
- (c) Personnel files, remunerations and welfare benefits of the Reallocated Employees shall be wholly transferred within 10 working days after the Delivery Date. Party A shall actively work with Party B to complete the transfer of Reallocated Employees, including the transfer of social insurances and housing fund, etc.
- (d) Party A shall calculate the total salaries payable before the Delivery Date to be set aside within one month after the Delivery Date. The part of salaries attributable to Reallocated Employees in the total salaries set aside but not paid shall be paid to the Reallocated Employees by Party A no later than the Delivery Date. If the salary is not paid, then it shall be transferred to Party B to be paid by Party B to the Reallocated Employees.
- (e) Party A shall transfer the accumulated balance funds (including the premium paid by the employees and the premium paid by employer and included in the employees' account) and personal accounts in the supplementary pension insurance accounts of the Reallocated Employees as of the Delivery Date to Party B.
- (f) Party A shall transfer the balance of employees' education fund as of the Delivery Date to Party B.
- (g) The labor files of employees who do not agree to transfer to Party B as of the Delivery Date shall be retained by Party A.

(5) Both Parties agree that the Re-dispatched Workers shall be transferred as follows:

- (a) Party A executes an agreement on rescission of the labor dispatching relation involving the Re-dispatched Workers with the labor dispatching company (if the original dispatching contract expires on the Delivery Date, it will not be renewed), and Party B executes a new dispatching agreement with the labor dispatching company which comes into effect on the Delivery Date.
- (b) Party A shall clear all expenses involving the Re-dispatched Workers with the labor dispatching company before the Delivery Date, and procure the labor dispatching company to pay off the remunerations to the Re-allocated Workers and fully pay social insurance premium for the Re-allocated Workers before the Delivery Date.

Section 7. Representations and Warranties of Party A

Party A makes the representations and warranties below to Party B except for matters that have been disclosed in writing to Party B or made provisions in account:

7.1 Subject qualification and approval

Party A is a corporate legal person duly incorporated and legally exists under the laws of China, has all necessary rights, powers, and capacities to sign this Agreement and perform and bear all obligations and liabilities under this Agreement; once it is signed, this Agreement is legally and effectively binding on Party A. The execution of this Agreement by Party A with Party B will not constitute a breach of any contract, its Articles of Association, constitutional documents of Party A and any applicable laws and regulations of China.

7.2 Materials

All materials provided by Party A to Party B or its representatives and consultants relating to Subject of Transfer are true, accurate, and complete, and free of false representation, major omission, and misleading statement.

7.3 Transferred Business

- (1) Party A has the right to engage in the operation activities set out in its Business License before the Delivery Date.
- (2) On and before the Delivery Date, the Transferred Business is in good condition and no significant adverse change occurs on it. To the knowledge of Party A, there is no fact or issue is possibly and rationally expected to have significant adverse impact on Party A's financial or operating situations or prospects.

7.4 Account before the Delivery Date

- (1) Party A's accounts (hereinafter referred to as the "**Accounts**") before the Delivery Date are prepared according to the requirements of related laws and regulations, appropriate accounting policies and the principle of accrual basis that truly and fairly reflects the conditions of the Subject of Transfer. Correct provision or disclosure is made in the Accounts on all Party A's bad debts according to related generally accepted accounting principle;
- (2) From the date when this Agreement is executed to the Delivery Date, to the knowledge of Party A that, no financial or operation situation or prospect (the prospect of business development normally expected by both Parties except that caused by objective reasons) relating to Party A will have any significant adverse change, nor is there any event, fact or matter that may cause similar change.
- (3) Accounting and other records
All Party A's statutory registration books, account books and other records that are required to be kept by law applicable in related jurisdiction have been appropriately and consistently kept according to such applicable laws and related generally accepted accounting standard, and are complete and accurate records of all materials that need to be recorded.

7.5 Transferred Assets

- (1) The Transferred Assets are legally possessed by Party A, except for those disclosed in check result of Transferred Assets and the Final List, there is no any encumbrances, and the Transferred Assets are not the subject of any security interest, or any transfer, option, right of first refusal, franchise, proxy account collection arrangement, lease or rent agreement, lease purchase agreement, conditional sale or credit sale agreement, delay payment agreement or any similar agreement or arrangement (or agreement or obligation creating any of the above, including conditional obligation);

- (2) Except otherwise provided for in this Agreement, the Transferred Assets purchased by Party B under this Agreement shall have all related rights which the owner of the Transferred Assets shall have based on the original title status according to laws, and such title may be transferred or disposed of according to laws, and will not be restricted by any detention, mortgage or other third-party's rights.

7.6 Land use right and houses

- (1) The land use right and houses that Party A transfers to Party B are legally possessed by Party A, there is no conflict or dispute in ownership and free of any encumbrances such as mortgage;
- (2) There are no obstacles either in fact or by law on the transfer of title deed for the land use right and housing transferred by Party A to Party B;
- (3) For avoidance of doubt, for the properties for which Party A has not obtained the title certificate of land use right and houses before the execution of this Agreement, Party A commits to obtain certificates of land use right and houses with Party A as title owner on the Delivery Date, or change the title certificates directly to the name of Party B after the Delivery Date.

7.7 Intellectual property rights (IPRs)

- (1) IPRs transferred to Party B
 - (a) As for such IPRs, Party A is the statutory owner or holder of the right of use of above intellectual property right registered or pending (if applicable) in any jurisdiction. The use of above intellectual property right is not restricted by any security interest, option, mortgage, charge, or liens;
 - (b) Neither any act or omission nor any event that occurs or may occur will lead any above intellectual property right be canceled, or forcibly licensed to others, withdrawn or revised, or neither any act or omission nor any event that occurs or may occur will hinder the granting of effective intellectual property right to a pending but not approved application or registration of a valid intellectual property right;
 - (c) To the knowledge of Party A, there is no allegation made by any third party that any of the operation of the business has infringed or may infringe its IPRs or claim against the use of the IPRs. Party A is not aware of any circumstances that may cause such claims.
- (2) Software
 - (a) Except as otherwise agreed, all necessary licenses of software required for the operation of the Transferred Business have been obtained to enable Party B to continue to use by the same means with that before the date of signing this Agreement within the license term of the software;
 - (b) For software copyright included in the scope of the Transferred Assets, in case the transferred effective license is inadequate, Party A shall bear all fees for purchasing required effective license of software copyright. Otherwise, it shall pay the fees equivalent to purchase effective license of such software copyright to Party B by cash.

7.8 Contract relationship and business arrangement

- (1) Contract relationship and business arrangement included in scope of the transfer:
 - (a) Are all legally entered into, legally valid and enforceable to the parties to the contract;
 - (b) Are in consistence with general business principle and are signed based on fair and rational business clauses;
 - (c) Are dealt with based on the principles set out in this Agreement and have no obstacles both by law and in fact.
- (2) Major default
 - (a) There is no major default under any agreement to which any Transferred Assets are the subject, and there is no circumstances that may cause such major default;
 - (b) There is no major default on the part of Party A under any agreement or arrangement related to the operation of the Subject of Transfer, nor is there any circumstance that may cause such major default.

7.9 Lawsuit and investigation

- (1) Lawsuit
 - (a) Except the debts being collected by Party A as a plaintiff that incurred in the ordinary business process and those that have been disclosed to Party B, Party A is not a plaintiff, defendant or other party to any ongoing, threatened or pending major lawsuit, arbitration or administrative proceedings brought against Party A, the Transferred Assets or any corresponding assets or in connection therewith;
 - (b) To the knowledge of Party A, there is no circumstance that may cause such proceedings, investigations or examinations set out in paragraph (a) above.
- (2) Investigation

To the knowledge of Party A, there is no ongoing or pending governmental or official investigation or examination involving Party A or the Subject of Transfer.

7.10 Personnel and labor relationship

- (1) There is no labor dispute between Party A and Reallocated Employees that may cause significant adverse impact on Party B, nor is there any event or circumstance that may cause any such labor dispute.
- (2) Party A does not owe any compensation, welfare benefit, and social insurance premium to the Reallocated Employees.

Section 8. Representations and Warranties of Party B

8.1 Party B hereby represents and warrants to Party A that on the Execution Date, date of signing this Agreement, Delivery Date, and Delivery Completion Date:

- (1) Party B is an enterprise legal person duly incorporated and legally exists under the laws of China, and has full right to execute this Agreement and perform the rights and obligations under the agreement;
- (2) Its execution and performance of this Agreement will not cause it to:
 - (a) Violate the rules of its constitutional documents and other related document, or violate any law, regulation, or rules applicable to the Company; or
 - (b) Violate any major contracts, agreements, or permission to which it is a Party, or order, award, or decree issued by court, government authority, and regulatory organ.
- (3) Party B has sufficient cash or legitimate cash source for the payment of the Consideration for the Transfer.

Section 9. Taxes and Charges

- 9.1 Except otherwise provided for in this Agreement, each party shall respectively bear the cost, fees and other expenses of it for the transaction under this Agreement according to laws.
- 9.2 Both Parties shall bear all taxes in connection with this Agreement or any other transaction documents and all fees charged by government authority, regulatory authority and stock exchanges in accordance with laws, regulations and related rules and decisions of the government.
- 9.3 Except otherwise required by laws and regulations and/or agreed between both Parties, all expenses in connection with the delivery of the Subject of Transfer by Party A to Party B and the receipt of the Subject of Transfer by Party B from Party A shall be paid according to the reasonable arrangement agreed between both Parties.

Section 10. Default Liabilities

- 10.1 The violation by any party of any presentations, warranties or undertakings set out in this Agreement or of any provisions in this Agreement shall constitute a default. The default party shall make full and sufficient compensation to the observant party. If the defaulting behavior of the default party causes the purpose of this Agreement unrealizable, the observant party has the right to determine whether to rescind this Agreement.
- 10.2 If after the Delivery Date there is any debt dispute, title dispute or administrative penalty against Party B that is caused by the operating activities of Party A and/or its subsidiaries before the Delivery Date and not predicated or not disclosed to Party B before the Delivery Date, Party A shall take measures to resolve such issues and keep the Subject of Transfer, Party B and/or its subsidiaries harmless. If such conflict or dispute causes any loss to the Transferred Assets or Party B and/or its subsidiaries, Party A agrees to make full, sufficient, timely and efficient compensation.
- 10.3 If any sum under this Agreement or any sum payable under this Agreement is not paid on the due date (“**Due Date**”), the Default Party shall pay penalty for such amount (“**Due Amount**”). The penalty shall be calculated at a rate of 0.03% (zero point zero three percent) per date from the Due Date (exclusive) to the date of actual payment (inclusive).

For avoidance of doubt, no compound interest according to other provisions of this agreement will apply to any Due Amount mentioned above after the Due Date.

Section 11. Settlement of Disputes

11.1 Any dispute arising out of the performance of or in connection with this Agreement shall be settled by amicable negotiation between both Parties. If it cannot be settled by negotiation, any party is entitled to submit the dispute to China International Economic and Trade Arbitration Commission for arbitration according to the then effective arbitration rules. The arbitration procedures shall be made in Beijing. The arbitration award made according to the above arbitration procedures shall be final and binding on both Parties. The arbitration fee shall be paid by the losing party.

11.2 Third Party Claim

For the purpose of the conflict or dispute occurred after the Delivery Date but arising out of the activities or facts of the Subject of Transfer before the Delivery Date (exclusive), if Party B is aware of any claim, law suit or threatened claim raised by any third party and should be borne by Party A according to this Agreement ("**Third Party Claims**"), except otherwise provided for in this Agreement, Party B shall:

- (1) Inform Party A of the Third Party Claims within reasonable time period and enable Party A and its representative to obtain reasonable information and convenience;
- (2) Not admit any liabilities or enter into any agreement or compromise regarding any Third Party Claims without prior written consent from Party A. If Party A fails to respond to Party B in writing within 15 working days after receiving notification from Party B, it shall be deemed that Party A has given consent, and Party B is entitled to admit liabilities or enter into any agreement or compromise regarding such Third Party Claims;
- (3) On the premise that Party A indemnifies Party B for reasonable expenses incurred therefrom:
 - (a) Take any actions reasonably requested by Party A so as to avoid, decline or challenge such Third Party Claims, or to appeal, compromise or defend such Third Party Claims;
 - (b) To the extent permitted by laws, allow Party A (if it opts to do so) to take over all legal proceedings and/or negotiations caused by Third Party Claims; and
 - (c) Provide information and assistance (if necessary) reasonably requested by Party A to prepare and proceed with any legal proceedings and/or negotiations related to Third Party Claims.
 - (d) If there is any major defaults mentioned above, the corresponding default liabilities shall be borne by Party A. If Party B is involved in such default events, Party A shall indemnify Party B for all losses incurred thereby (including related fees, costs and attorney fees).

Section 12. Effectiveness and Amendment

- 12.1 This Agreement comes into effect upon signatures of the legal representatives or their authorized representatives and stamps of both Parties.
- 12.2 After the execution of this Agreement, any amendment of this Agreement (or any other transaction documents) shall be effective only if made in writing and signed by the legal representatives or their authorized representatives and affixed the stamps of both Parties.
- 12.3 Both Parties agree that after the execution of this Agreement, any matters not covered in this Agreement shall be further discussed between both Parties and provided for in a written supplementary agreement. The supplementary agreement constitutes integral part of this Agreement.

Section 13. Miscellaneous

13.1 Force Majeure

- (1) “Force Majeure” means any events not reasonably controlled, unforeseeable or foreseeable but unavoidable by both Parties to this Agreement, which impedes, impacts or delays any party to perform all or part of its obligations under this Agreement. Such events include but not limited to earthquake, typhoon, flood, fire or other natural disasters, war, riot, strike or any other similar events.
- (2) If a force majeure event occurs, the impacted party shall notify the other party by as quickest as possible ways, and provide, within 15 days, a certificate stating the details of such event and reasons why it cannot perform or partially perform or needs to delay the performance of this Agreement, then both Parties shall discuss whether to delay the performance of or to terminate this Agreement.

13.2 Confidentiality and disclosure.

- (1) Except otherwise required by related laws, regulations in China, competent government authorities or the Articles of Association of related companies, no party shall disclose any content of this Agreement to any third party other than the participants of the transaction (or their professional consultants in the transaction) before or after the transaction under this Agreement is completed without prior written consent from the other party.
- (2) No party (and any of its affiliated companies) shall make any announcement or issue any circular regarding the existence of this Agreement (or any other transaction documents) or its subject matters without written approval from the other party (which shall not be unreasonably retained or delayed).
- (3) If a notification, announcement or circular is required by laws or competent stock exchange or any regulatory or supervisory authority or department (whether or not such requirement has legal effect), the previous restriction shall not apply. To the extent that the above exceptions apply, the party publishing announcement or issuing circular shall make reasonable endeavor to consult with the other party as to the form, content and timing of such announcement or circular.

13.3 Assignment of Contracts

- (1) Except otherwise provided for in this Agreement or agreed by both Parties in writing, Party B shall not assign, transfer, mortgage or otherwise dispose of all or part of its rights under this Agreement.
- (2) Notwithstanding the above provisions, both Parties acknowledge that Party B is entitled to specify a third party which has connected relation with it to acquire all or part of the Subject of Transfer, and is entitled to request Party A to make Delivery of all or part of the Subject of Transfer to such third party specified by it.

13.4 Notice

- (1) All notices in connection with this Agreement shall be made in Chinese and delivered by person, facsimile, registered mail or the express services recognized by both Parties. Notices shall take effect upon delivery and shall be deemed duly delivered (a) on delivery if sent by person, registered mail or express services; or (b) upon transmission if sent by facsimile. In any cases, if the notice is delivered at a time other than working hours, the notice shall be deemed as duly delivered at the beginning of the working hours of the next working day.
- (2) For the purpose of this Section 13.4(1), the addresses of both Parties are as follows:

China TieTong Telecommunications Corporation:

Address: No.2 Guangningbo Street, Xicheng District, Beijing
Attn.: Tian Limin

China Mobile TieTong Company Limited:

Address: No.2 Guangningbo Street, Xicheng District, Beijing
Attn.: Tian Limin

13.5 Conflict with Other Agreements

- (1) (As between the Parties to this Agreement and between any member of Party A and any member of Party B) If any provisions in this Agreement conflict with the provisions of any other agreement, this Agreement shall prevail, except (a) such other agreement expressly provided for that it precedes over this Agreement in certain respects; and (b) both Party A and Party B are parties to such agreement or otherwise agree in writing that such other agreement precedes over this Agreement in certain respects.
- (2) This Agreement and its annexes constitute complete legal documents regarding the assets transfer, and replace all previous oral discussions and written agreements between both Parties on the assets transfer, except otherwise expressly provided for in the Transaction Documents.

13.6 Waiver and exemption

Except otherwise expressly provided for in this Agreement, if either Party does not, fails or delays to exercise any rights, powers or remedies under this Agreement or any Transaction Documents, such Party shall not be deemed to have waived such rights, powers or remedies, nor shall such Party be impeded to subsequently exercise such rights, powers or remedies. Unilateral or partial exercise of such rights, powers and remedies shall not impede further exercise thereof.

13.7 Severability

Each provision of this Agreement and other Transaction Documents is severable. If any of such provisions is held or becomes invalid or unenforceable in any respects under the laws of any jurisdiction, it shall be invalid in that respect. Both Parties shall make reasonable endeavor to replace such provision with a substitute valid and enforceable provision of which the validity is the closest to the intended validity in that respect.

13.8 Text

This Agreement is prepared in Chinese. This Agreement is prepared in four counterparts, each Party holds two counterparts. All counterparts shall have the same legal effect.

(No text below on this page)

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Anhui Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB5,833,769,398 to subscribe for 5,833,769,398 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Anhui Co., Ltd.
Legal representative or authorized representative

/s/ QIAN Li

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Henan Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB7,193,824,937 to subscribe for 7,193,824,937 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Henan Co., Ltd.
Legal representative or authorized representative

/s/ WEI Ming

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Hebei Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB4,375,693,430 to subscribe for 4,375,693,430 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Hebei Co., Ltd.
Legal representative or authorized representative

/s/ LIU Yuewen

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Guangdong Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB7,300,716,496 to subscribe for 7,300,716,496 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Guangdong Co., Ltd.
Legal representative or authorized representative

/s/ JIAN Qin

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Jiangsu Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB6,501,405,824 to subscribe for 6,501,405,824 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Jiangsu Co., Ltd.
Legal representative or authorized representative

/s/ WANG Jian

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Shandong Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB8,053,048,991 to subscribe for 8,053,048,991 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Shandong Co., Ltd.
Legal representative or authorized representative

/s/ ZHANG Xuan

Shares Subscription Agreement

(This Agreement is entered into between the following parties on January 30, 2016 in Beijing)

Issuer: China Tower Corporation Limited (“**China Tower**”)

Subscriber: China Mobile Group Zhejiang Co., Ltd.

Whereas the issuer and the subscriber have signed the Transaction Agreement of the Existing Telecommunication Tower and related Assets by Issuance of Shares and Payment of Cash on October 14, 2015. Based on the above agreement and the specific circumstances of delivery of towers and related assets, the issuer has determined to issue a total of 119,344,615,024 shares at a par value of RMB1 per share.

1. Subscription Price

RMB1 per share.

2. Subscription Amount and Quantity

The subscriber confirms to pay RMB5,892,494,633 to subscribe for 5,892,494,633 shares.

3. Subscription Method

The subscriber agrees to subscribe for the shares issued by investing with assets.

4. Payment Method

The subscriber has completed the actual payment of contribution before December 31, 2015.

5. Shareholders' Rights and Obligations

The both parties confirm that the subscriber shall become the owner of shares subscribed for in this transaction from the effective date of this Agreement, and enjoy its shareholder rights and bear the corresponding obligations for such shares. The both parties agree that the issuer shall complete the change to register of shareholders, revision of Articles of Association and change to industrial and commercial registration within 30 days after signing this Shares Subscription Agreement.

6. Entry into Force and Counterparts

This Agreement shall enter into force on December 31, 2015. This agreement is executed in six counterparts, each party holding two copies, and the rest shall be submitted for examination and approval/record filing.

(Reminder of this page intentionally left blank)

Issuer: China Tower Corporation Limited (chop)
Legal representative or authorized representative

/s/ GAO Chunlei

Subscriber: China Mobile Group Zhejiang Co., Ltd.
Legal representative or authorized representative

/s/ ZHENG Jie

LIST OF MAJOR SUBSIDIARIES
(as of December 31, 2015)

<u>NAME OF ENTITY AND BUSINESS NAME (IF DIFFERENT)</u>	<u>JURISDICTION OF INCORPORATION</u>
China Mobile Communication (BVI) Limited	British Virgin Islands
China Mobile Communication Co., Ltd.	China
China Mobile Group Guangdong Co., Ltd.	China
China Mobile Group Zhejiang Co., Ltd.	China
China Mobile Group Jiangsu Co., Ltd.	China
China Mobile Group Fujian Co., Ltd.	China
China Mobile Group Henan Co., Ltd.	China
China Mobile Group Hainan Co., Ltd.	China
China Mobile Group Beijing Co., Ltd.	China
China Mobile Group Shanghai Co., Ltd.	China
China Mobile Group Tianjin Co., Ltd.	China
China Mobile Group Hebei Co., Ltd.	China
China Mobile Group Liaoning Co., Ltd.	China
China Mobile Group Shandong Co., Ltd.	China
China Mobile Group Guangxi Co., Ltd.	China
China Mobile Group Anhui Co., Ltd.	China
China Mobile Group Jiangxi Co., Ltd.	China
China Mobile Group Chongqing Co., Ltd.	China
China Mobile Group Sichuan Co., Ltd.	China
China Mobile Group Hubei Co., Ltd.	China
China Mobile Group Hunan Co., Ltd.	China
China Mobile Group Shaanxi Co., Ltd.	China
China Mobile Group Shanxi Co., Ltd.	China
China Mobile Group Neimenggu Co., Ltd.	China
China Mobile Group Jilin Co., Ltd.	China
China Mobile Group Heilongjiang Co., Ltd.	China
China Mobile Group Guizhou Co., Ltd.	China
China Mobile Group Yunnan Co., Ltd.	China
China Mobile Group Xizang Co., Ltd.	China
China Mobile Group Gansu Co., Ltd.	China
China Mobile Group Qinghai Co., Ltd.	China

China Mobile Group Ningxia Co., Ltd.	China
China Mobile Group Xinjiang Co., Ltd.	China
China Mobile Group Design Institute Co., Ltd.	China
China Mobile Holding Company Limited	China
China Mobile (Shenzhen) Limited	China
Aspire Holdings Limited	Cayman Islands
Aspire (BVI) Limited	British Virgin Islands
Aspire Technologies (Shenzhen) Limited	China
Aspire Information Network (Shenzhen) Limited	China
Aspire Information Technologies (Beijing) Limited	China
Fujian FUNO Mobile Communication Technology Company Limited	China
Advanced Roaming & Clearing House Limited	British Virgin Islands
Fit Best Limited	British Virgin Islands
China Mobile Hong Kong Company Limited	Hong Kong
China Mobile International Holdings Company Limited	Hong Kong
China Mobile International Limited	Hong Kong
China Mobile Group Device Company Limited	China
China Mobile Group Finance Co., Ltd.	China
China Mobile M2M Company Limited	China
China Mobile (Suzhou) Software Technology Co., Ltd.	China
China Mobile (Hangzhou) Information Technology Co., Ltd.	China
China Mobile Online Service Co., Ltd.	China
China Mobile Internet Co., Ltd.	China
China Mobile TieTong Company Limited	China
MIGU Company Limited	China

CERTIFICATION

I, LI Yue, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2016

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive Officer

CERTIFICATION

I, XUE Taohai, certify that:

1. I have reviewed this annual report on Form 20-F of China Mobile Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 26, 2016

/s/ XUE Taohai

Name: XUE Taohai

Title: Executive Director, Vice President and Chief
Financial Officer

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, LI Yue, Executive Director and Chief Executive Officer of China Mobile Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2016

/s/ LI Yue

Name: LI Yue

Title: Executive Director and Chief Executive
Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.

CHINA MOBILE LIMITED

Certification

Pursuant to 18 U.S.C. § 1350, the undersigned, XUE Taohai, Executive Director, Vice President and Chief Financial Officer of China Mobile Limited (the “Company”), hereby certifies, to his knowledge, that the Company’s annual report on Form 20-F for the year ended December 31, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 26, 2016

/s/ XUE Taohai

Name: XUE Taohai

Title: Executive Director, Vice President and Chief
Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document.